

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Paris, Monday, December 12, 1994

No. 34,769

'No' From Delors Stuns French Left Deep Political Rifts Keep Him Out of Presidential Race

By Joseph Fitchett
International Herald Tribune

PARIS — In an extraordinary act of political renunciation, Jacques Delors told the nation on Sunday night that he had decided against running for the presidency because he could not see effective, broad enough support to carry out the reforms that France needs.

Speaking in a choked voice and reading from a brief prepared statement, Mr. Delors, 69, said: "I could not put into effect the solutions I believe are necessary" for France to meet its domestic problems of high unemployment and social tensions, as well as international challenges related to European unity.

Mr. Delors's decision, after weeks of suspense, seemed to guarantee that conservatives will win the presidency, giving them control of almost all the political levers of power in France when President François Mitterrand, a Socialist, steps down after 14 years in office.

In the end, Mr. Delors's prime motive came down to a conviction that France, in a period of uncertain transition, could not afford political gridlock of the sort that now hampers initiative and change in so many capitals from Washington to Tokyo. By pulling out, Mr. Delors "must have

felt the need to spare the country what he saw as a losing battle among ourselves that would have hurt France's chances in the long term," according to one of his associates.

Mr. Delors put an end to weeks of suspense during an hourlong television interview. In recent weeks, questions about his possible candidacy had spawned a mini-industry in Delors-watching, with little result.

Acknowledging the disappointment for the French left and also among pro-European center-right factions, Mr. Delors said that "disappointment today is not as bad as regrets tomorrow."

The disappointment will be sharp. The Socialist Party, which saw an opportunity for an almost miraculous political comeback behind Mr. Delors, has little hope of performing credibly with any other candidate, like former Prime Ministers Michel Rocard and Pierre Mauroy or former Culture Minister Jack Lang.

Now the race is likely to be dominated by Prime Minister Edouard Balladur, characterized by Mr. Delors as a "do-nothing," and Jacques Chirac, the Gaullist candidate, who, Mr. Delors says, "lies to the French people" by promising tax cuts and better welfare programs. Their compe-

tion seems likely to be a muted struggle aimed mainly at winning over sections of the conservative political parties' apparatus.

In Europe as a whole, particularly Germany, many leaders had pinned their hopes on seeing Mr. Delors run, win and become a French president determined to push for closer integration within the European Union.

His views, including his crusade for closer European unity, also forged sympathies between the Clinton administration and Mr. Delors, in contrast to his clashes with the Bush and Reagan administrations.

Chancellor Helmut Kohl, a Christian Democrat, and Mr. Delors, who describes himself as a Christian Socialist, became close political allies during Mr. Delors's 10 years as head of the European Commission in Brussels, a job he will leave in late January.

While Britain's Conservative governments have often tended to single out Mr. Delors as the incarnation of big bureaucracy and tax-and-spend tendencies in Brussels, Mr. Delors often supported moves toward deregulation and free competition in the European Union that often dis-

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EU Backs Away From 'Closer' Union

By Tom Buerkle
International Herald Tribune

ESSEN, Germany — The European Union has taken a major step away from an "ever-closer union," the bloc's stated goal, to a looser form of political cooperation favored by Britain and, increasingly, France.

The shift was underscored by a provocative analysis presented to EU leaders by Jacques Delors, the outgoing president of the executive commission, as well as more mundane disputes at the Union's summit meeting here at which it embarked on the road to Eastern expansion.

The meeting offered the clearest glimpse yet of the Europe of the next century, bringing together the heads of government of the 12 existing members and of Austria, Finland and Sweden, which will join in January, with leaders of Poland, Hungary,

the Czech Republic, Slovakia, Romania and Bulgaria.

Even Vaclav Klaus, the Czech prime minister who has made the most insistent calls for early membership, expressed satisfaction with the strategy adopted by EU

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leaders. It gives no timetable for entry but sets up a work program to prepare the East for the EU single market, steps up financial aid and admits Eastern states to regular EU meetings.

"I would not underestimate the symbolic importance of what happened today," Mr. Klaus said as the summit meeting ended on Saturday.

Mr. Delors did not underestimate the importance, either, during a lively brainstorming session with the 15 leaders over

dinner on Friday, according to accounts of those present.

He began by talking of a Union of 27, embracing all the countries represented on Saturday, the three Baltic republics and Slovenia, which will win the same membership prospect shortly, plus Cyprus and Malta.

Mr. Delors said the applicants bring "enormous demands for resources." Without major reforms of EU policies, they would require a rough doubling of farm and development spending that accounts for two-thirds of the EU budget of 70 billion European currency units.

What's more, an extension of existing voting procedures would make it impossible for Germany, France, Britain and Italy

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With Old Arkansas Friends Like Clinton's, Who Needs Enemies?

By Ruth Marcus
Washington Post Service

WASHINGTON — President Bill Clinton took care of one troublesome problem from Arkansas last week. Another returned to haunt him.

The president's week started in a meeting in Budapest on European security, continued at home where he signed the new world trade treaty and ended in Miami with a hemispheric summit meeting.

But all of that was overshadowed by two difficult events that resurrected Mr. Clinton's Arkansas past —

the dismissal on Friday of his outspoken surgeon general, Joycelyn Elders, for suggesting that masturbation "is part of something that perhaps should be taught" in schools, and the guilty plea on Tuesday of one of the president's closest friends, former Associate Attorney General Webster L. Hubbell.

As the networks replayed footage of the president and his confidant on the golf course, Mr. Hubbell's guilty plea evoked memories of the fate of other Arkansians that the Clintons brought to Washington with them, chief among them the suicide in July 1993 of another Rose Law Firm partner, Vincent Foster,

who was then a deputy White House counsel. And new problems from old friends loomed for the president. There were reports that his former partner in the Whitewater real-estate venture, James B. McDougal, is about to be indicted by the Whitewater independent counsel, Kenneth W. Starr, and that a second independent counsel investigating Agriculture Secretary Mike Espy has broadened his inquiry to include an examination of Tyson Foods Inc., the Arkansas poultry conglomerate with longstanding ties to Mr. Clinton.

"The thing with Webb is just one more long line of tragedies that related to Arkansas friends and is in

many respects unprecedented in terms of bringing friends from home to Washington with you," said a former White House deputy chief of staff, Roy Neel. "This is all just very sad when you think about a bunch of people who came to town with such high hopes and good spirits. There was great pride in that adventure, and now you just get a sense of survival over there."

In dismissing Dr. Elders, Mr. Clinton took action that many — including some of his own advisers — believed was long overdue for his political survival.

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Signal of Philippine Terror As Blast Kills Air Passenger

By T. R. Reid
Washington Post Service

TOKYO — The pilot of a Philippine Airlines plane with a hole blasted in its floor by an explosion made a one-hour detour to the nearest airport and brought his Boeing 747 jumbo jet in safely Sunday morning.

One passenger was killed and 10 suffered mild injuries, but the remaining 296 people aboard emerged unscathed after Flight 434 from Manila and Cebu to Tokyo made an emergency landing at Naha, Okinawa.

The explosion blew a hole in the floor of the fuselage. Passengers told Japan's NHK-TV that they watched debris flying through the plane and feared another explosion during the rush to Naha.

Several hours after the blast, a man claiming to represent a radical Philippine Muslim guerrilla group called The Associated Press in Manila to claim responsibility for the bombing.

"We are Abu Sayyaf Group," the caller said in broken English. "We explode one plane from Cebu."

He warned that the group planned to target other Philippine aircraft.

The Abu Sayyaf Group, which opposes peace talks between the Philippine government and the country's main Muslim rebel

faction, the Moro National Liberation Front, has been blamed for numerous bombings in the southern Philippines and for the kidnapping of businessmen, priests, doctors and other people for ransom.

In June, Philippine marines launched a major offensive against the Abu Sayyaf Group's strongholds on Basilan after the rebels massacred 15 Christians and kidnapped a local Roman Catholic priest for ransom.

The military later overran the rebels' main base and said it killed at least 36 armed members of the group.

Fighting resumed last month when the military launched a new effort to capture the group's leader, Abdurajak Abubakar Janjalani, an Islamic radical who formerly studied in Libya.

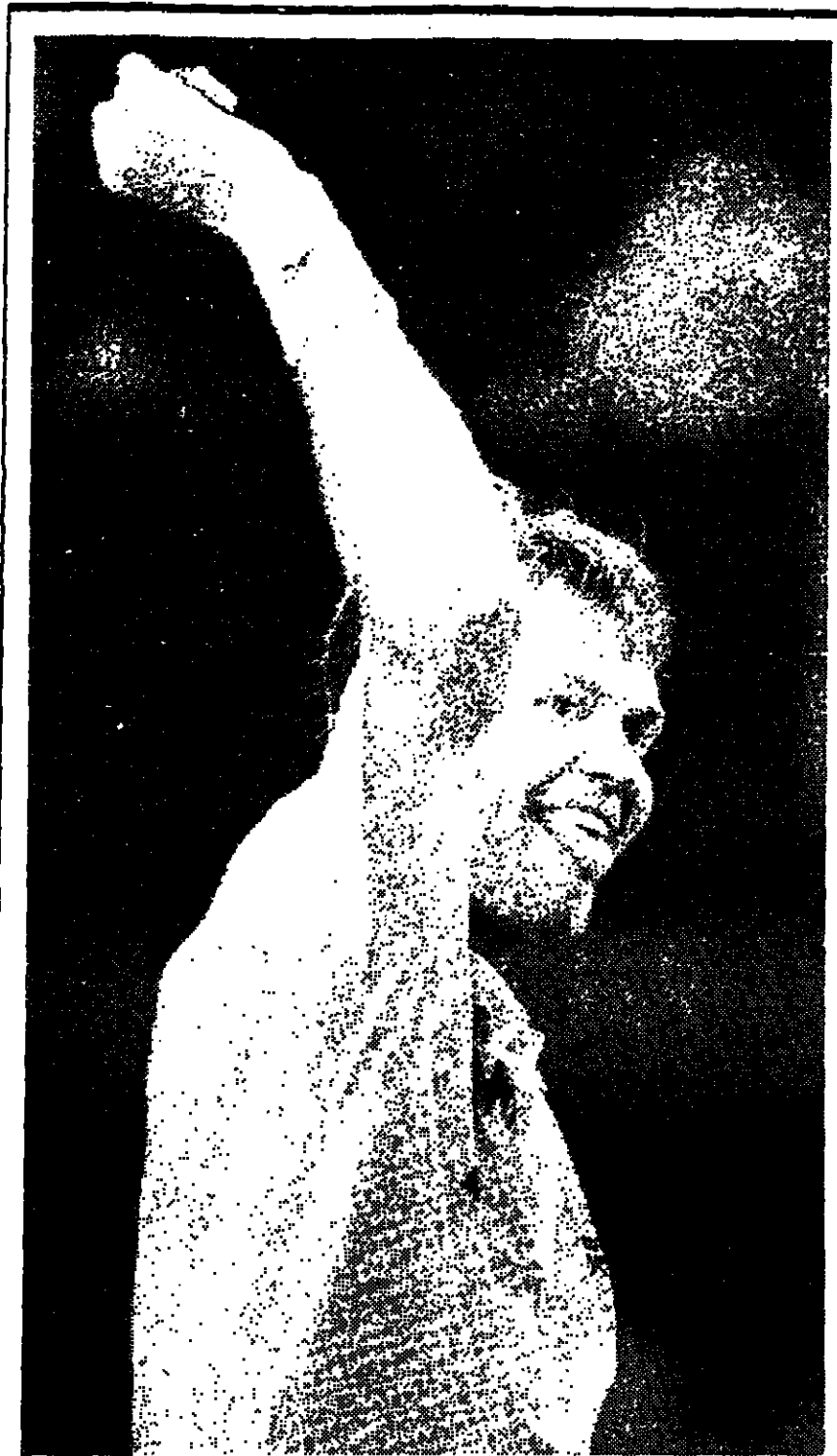
His fighters are believed to number only in the hundreds, but they have shown a capacity to cause havoc.

Bombings of churches, shopping centers and other targets attributed to the group have killed or injured scores of people.

If the group is responsible for the bombing, however, it would mark the first time that it has targeted a Philippine airliner and courted a major international catastrophe.

The dead passenger was identified as

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CHRISTMAS BONUS — Magnus Larsson of Sweden, ranked 19th in the world in men's tennis, upset the top-ranked Pete Sampras on Sunday to win the Grand Slam Cup in Munich — and \$1.5 million. Page 19.

Yeltsin Sends Troops Into Breakaway Rebel Region

3 Armored Columns Pour Into Chechnya but Stop Short of Capital

By Lee Hockstader
Washington Post Service

MOSCOW — In its largest offensive military action in 15 years, Russia on Sunday sent troops and armor pouring into the rebel southern region of Chechnya, which has resisted Moscow's rule since it declared independence in 1991.

Thousands of troops and hundreds of armored vehicles and tanks swept into the breakaway republic in three columns from the east, west and northwest, encountering light resistance and inflicting some casualties. The troops had stopped short of storming the Chechen capital of Grozny, 1,600 kilometers (1,000 miles) south of Moscow, where several thousand lightly armed volunteers have vowed to fight the Russians.

In a statement reported Sunday night by Russia's Itar-Tass press agency, President Boris N. Yeltsin said the troops had moved

Russia's invasion of Chechnya has a touch of the old Soviet style. Page 6.

in "to help find a political solution and to defend the people" of Chechnya. He said he remained hopeful that peace talks planned for Monday could resolve the crisis without further bloodshed.

Speaking at a news conference in Miami, President Bill Clinton expressed little alarm over the situation, saying that he had counseled the Russian leadership to use the minimum force necessary.

"It is an internal Russian affair," Mr. Clinton said. "We hope that order can be restored with a minimum of violence and bloodshed."

Reports from Grozny said the city of 400,000 people was quiet. It was not immediately clear whether the Russians had merely paused pending the talks and to give civilians a chance to flee the city ahead of a major assault, or planned a long siege to wear down the Chechen troops and force them to negotiate.

The Chechen president, Dzhokar Dudayev, who has defied the Kremlin at every turn, declared that war had begun. But the Chechen economics minister, Taimaz Abubakarov, said he would attend talks with Russia on Monday as head of the Chechen government delegation.

"We will defend ourselves," declared Mr. Dudayev, 50, a former Soviet Air Force general who has staked his career on confrontation with Moscow.

The Russian thrust Sunday was the most extensive hostile act by Moscow's troops since the invasion of Afghanistan in December 1979. It marked a decisive step by Mr. Yeltsin, whose patience has worn thin through months of escalating tensions between Moscow and Grozny.

Unlike most of the ethnic and national conflicts that have erupted along Russia's southern flank since communism's collapse, the Chechen crisis is unfolding on what Russia — and the world — recognizes as Russian territory.

That has raised the stakes of using force against Grozny, a move that could lead to an open split between Mr. Yeltsin and most of his liberal allies, who strongly oppose military intervention.

Grigori Yavlinsky, head of a major liberal bloc in the Russian Parliament, said: "We're against our children being killed. We're against democracy being established using these methods."

Chechnya, mostly Muslim, is a vital regional transport hub and important oil refining center. It has been a thorn in Mr. Yeltsin's side since it declared independence from Moscow three years ago. Alarmed by the precedent, Mr. Yeltsin sent troops to Grozny then but withdrew them in the face of opposition from the Chechens and the Russian Parliament.

Since then, efforts to reach an accommodation between Moscow and Grozny have been fruitless. Russian officials have meanwhile stepped up allegations that Chechnya, an enclave of 1 million people, is providing a safe haven for terrorists, drug traffickers and arms dealers.

Earlier this year, Moscow began a thinly veiled policy of helping the armed Chechen opposition seeking to topple Mr. Dudayev. That opposition, together with Russian troops recruited by the KGB's successor agency, launched a poorly

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A BLACK FLAG — A Muslim fundamentalist woman in Amman taking part in a protest Sunday against the opening of an Israeli embassy. Page 7.

Intrigued by New South Africa, American Blacks Pack Their Bags

By Paul Taylor
Washington Post Service

JOHANNESBURG — As Zambia McLeod, a Georgetown University pre-med student, was packing to visit her family here for the Christmas holidays, several of her black friends in the United States stuffed her suitcase full of résumés.

"They kept saying: 'We can't believe it. Your parents actually live in South Africa. How fantastic,'" she said. "Some want to move here."

Once the symbol to American blacks of all things evil, South Africa has become almost a mecca for them now that it has transformed itself from a white racist state to a black-led democracy.

"A lot of African Americans seem to have the idea that they can come here now and find that 40 acres

and a mule they never did get at home," said Miss McLeod's father, Mackie McLeod, who directs the Lotus Trust, the American computer company's social responsibility program in South Africa.

The McLeods are in the vanguard of a small but growing number of African Americans who have settled here since the political transition that culminated in April with Nelson Mandela's election as president.

They are corporate executives, development officials, educators, entrepreneurs and consultants. They number in the low hundreds, according to Mr. McLeod's best guess.

Some have come to do good in Mr. Mandela's South Africa, and some to do well, some to fill a personal void and some to win battles here that they have given up for lost in the United States.

Almost all have found the journey to be bracing. But some also have found it disorienting, as they discover how similar histories of oppression mask differences of outlook among the blacks of the two countries.

"When a black American comes to South Africa, there's this realization that here is this marvelously sophisticated country, with its impressive infrastructure, that is coming under black control," said Francis Kornegay Jr., director of the African-American Institute's South Africa program. "That's a powerful coming from a society where blacks — no matter how successful — feel that control is tenuous, if it exists at all."

"The idea of flying in the business-class section of an airplane back to the continent where your ancestors had been dragged away in the hull of a ship — that's pretty amazing stuff," Mr. McLeod said.

But as he and others acknowledge, this is also a journey easy to romanticize and fraught with potential disappointment.

"It's the old cliché — African American comes to Africa and realizes just how American he is," said Mr. Kornegay, a scholar who has visited South Africa on and off for two decades.

"Many of the American blacks who come are going to be in for a rude awakening," said Ron Carter, dean of students at the University of Witwatersrand, who until 1989 was a dean at Boston University. "You can very easily be seen as a carpetbagger, and your black skin won't help you."

"If you think you can come here, enjoy the comfort of living in Sandton," he said, referring to an exclu-

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Newsstand Prices

Andorra.....9.00 FF	Luxembourg 60 L.	Fr
Antilles.....11.20 FF	Morocco.....12 Din	
Cameroon.....1.400 CFA	Qatar.....8.00 Riels	
Egypt.....E.P. 5000	Réunion.....11.20 FF	
France.....9.50 CFA	Saudi Arabia.....9.00 R.	
Gabon.....950 CFA	Senegal.....960 CFA	
Greece.....300 Dr.	Spain.....200 PTAS	
Italy.....2,600 Lire	Tunisia.....1,000 Din	
Ivory Coast.....1,120 CFA	Turkey.....T.L. 35,000	
Jordan.....1 JD	U.A.E.....8.50 Dirh	
Lebanon.....US\$1.50	U.S. Mil. (Eur.) \$1.10	

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General News

The French-Italian maker of ATR planes called the U.S. ban on its commuter aircraft unjustified. Page 2.

The UN, Staying in Bosnia as a 'Witness,' Leaves Its 'Fig Leaf' Mission Intact

By John Pomfret
Washington Post Service

VELIKA KLADUSA, Bosnia — The road to this besieged Muslim town in northwestern Bosnia is lined with Serbian artillery batteries and the best intentions of the international community.

Trembling with the wallop of tanks, mortars and 155mm howitzers, the road

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twists by a base of the United Nations Protection Force, where Polish soldiers peer out from under thin blue helmets at passing Serbian weaponry. Few worry about safety. No shells fall on this side of the line because the Muslims lack big guns.

"We're just listening to people die," said an officer as a barrage of Serbian tank and artillery shells shattered a few moments of calm, boring into the Muslim-held town on

the far side of the hills. "But if we left, who'd be here to witness?"

The biggest peacekeeping mission in history hobbled to the brink of collapse last week, peered over the edge and stopped.

Talk of pulling out the 23,000 UN peacekeepers from Bosnia faded quickly amid fears that the effort to cage the war within the boundaries of former Yugoslavia would become the first casualty of the withdrawal. Added to that were European fears that a widening war would spark the first East-West military confrontation in the post-Cold War era.

In the end, the Serbs, the United Nations, Britain, France, the United States, Russia and the Muslims seemed petrified by the unknown and resigned themselves to the imperfections of the UN peacekeeping operation.

Few called for a robust reconfiguration of the UN operation into a force capable of imposing a solution, as allied armies did

in 1991 to save the Kurds in northern Iraq.

Some American politicians called for muscular NATO bombing raids on the Serbs and a unilateral lifting of the arms embargo on Bosnia's Muslims. But even U.S. military officers scoffed at those ideas, arguing that they would only swell Bosnia's rivers of blood and leave the Muslims more battered than before.

France and Britain also lambasted that plan, cracking the widest breach ever in the bedrock of U.S. security since 1949, the North Atlantic Treaty Organization.

The United Nations' role as a "fig leaf," in the words of Kofi Annan, UN undersecretary-general for peacekeeping, had won.

But for Europe's deadliest conflagration since World War II, the implications of the fig leaf are grim: continued low-level conflict, widespread suffering for several million people already exhausted by war and more futile attempts to patch together an imperfect peace plan that roughly divides

Bosnia between Serbs and a Muslim-Croatian federation.

And even without a UN withdrawal, the prospects for a wider war remain bleak. Already the fighting around Velika Kladusa and Bihać town 24 kilometers (15 miles) to the south has become a proxy war between Croatia and rebel Croatian Serbs, who occupy 27 percent of that country.

There are also broader ramifications of this arrangement. By refusing bolder action and clutching to its tenuous impartiality, the UN mission could be condemning the viability of a multi-ethnic state and the potential for nurturing moderate strains of Islam in the heart of Europe.

Ejup Ganic, the vice president of Bosnia's mostly Muslim government, has warned of "a Gaza Strip in Europe's backyard" with all its accretions: fundamentalism, terrorism and poverty. Some Western officials worry he could be right. The basic strategy of the UN mission

appears to be to stay long enough to pick up the pieces after the war is over. And by their presence as a witness, like the Polish soldier on the road to Velika Kladusa, they hope to "attenuate and blunt the sharpness of the conflict," said Yasushi Akashi, the Japanese diplomat who leads the UN operation in former Yugoslavia.

But by embracing the fig leaf option, the key member states in the United Nations have ceded control of the pace of conflict to the Serbs.

As time passes, Serbs in Croatia, Bosnia and Yugoslavia are approaching their dream of "Greater Serbia," further complicating the search for peace. Such a development defies the insistence of the current negotiators, the United States, Russia, Britain, Germany and France, that international borders cannot be violated to end the Balkan wars.

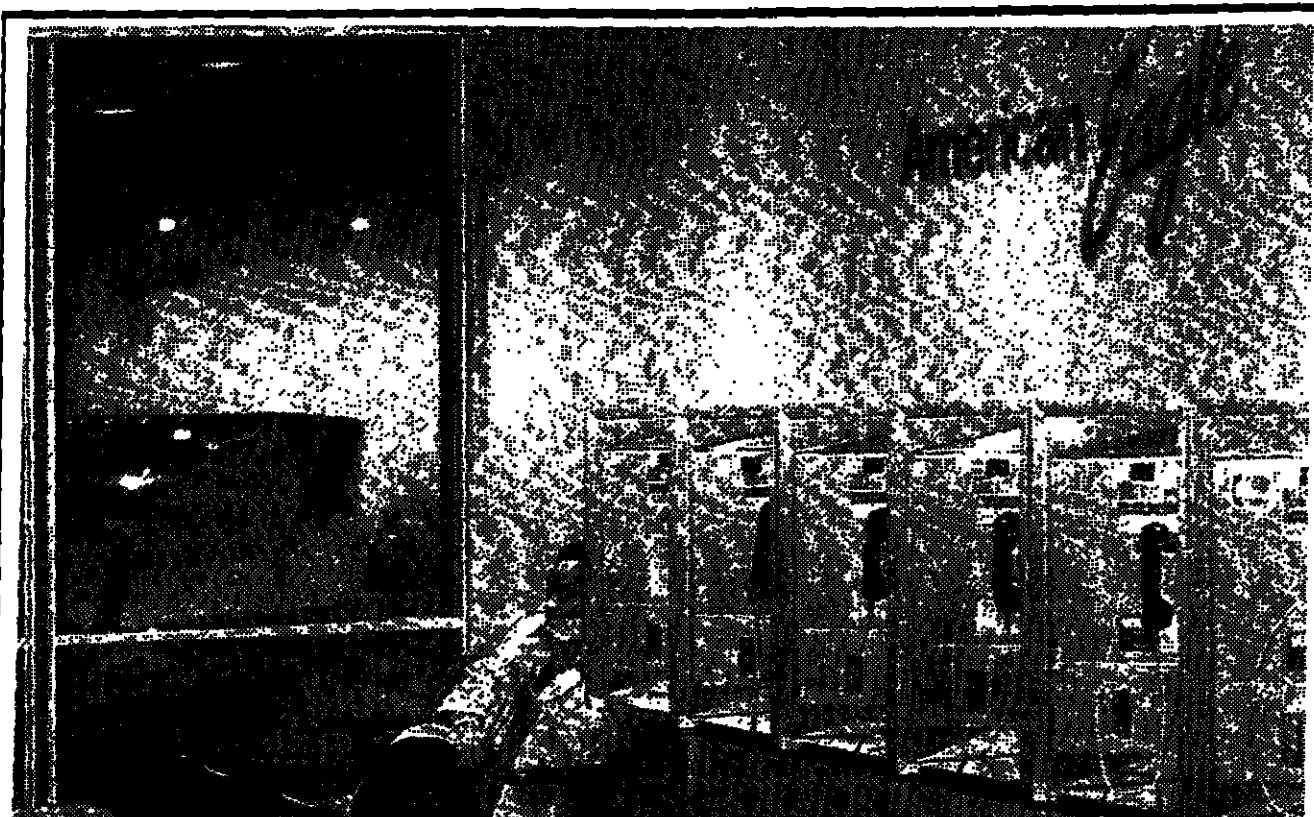
By week's end, the United Nations, and Britain and France, had voiced a renewed

commitment to staying in Bosnia, at least through the winter, even though there had been no change to the political or military topography of the war.

Serbs minutely relaxed their pressure on the United Nations. They released 187 peacekeepers held for two weeks and took replacement hostages. A few humanitarian aid convoys were allowed through to isolated Muslim enclaves — Bihać, Gorazde, Srebrenica — but Serbs continued to block the resumption of the Sarajevo air bridge and deliveries of fuel to the UN mission.

Perhaps concerned about the prospect of exchanging lightly armed UN soldiers for tough NATO troops deployed for a UN withdrawal, the Bosnian Serb leader, Radovan Karadzic, declared that a UN pullout would be a humanitarian disaster for both Serbs and Muslims.

"If we are approaching a peace settlement," he said, "then we would not leave the UN around, and they should not leave."



A traveler at Chicago's O'Hare Airport making a rental car reservation after his flight was canceled by potentially icy weather. The Federal Aviation Administration has ordered ATR turboprop planes grounded in such conditions.

ATR Maker Protests U.S. Flying Ban

Compiled by Our Staff From Dispatches

TOULOUSE, France — The French-Italian maker of ATR planes called the U.S. government ban on its turboprop commuter aircraft unjustified and said it would conduct tests in California to prove it.

Avion de Transport Régional said Saturday that it "shares the FAA's worries" but suggested that the Federal Aviation Administration overreacted by grounding ATR-72 and ATR-42 planes in icy weather.

The FAA announced the ban on flying the ATR-42 and ATR-72 planes in icing conditions immediately after getting new test results from the manufacturer.

In Calgary, Alberta, Canadian Regional Airlines and Inter Canadian said in a statement that the ATR-42 planes not only were barred from flying in icy conditions but also were being grounded "in the interest of passenger safety and convenience."

The order will be in effect until further notice.

The FAA suspects icing caused the Oct. 31 crash in Roselawn, Indiana, of an American Eagle ATR-72. A total of 68 people were killed.

The National Transportation Safety Board, which investigates accidents, has not ruled on a cause of that accident, but it urged that the ATR-72 and ATR-42 not be flown in icing conditions.

ATR said the planes met FAA and French standards. The wind tunnel tests conducted by the company "furnish no basis that can justify the measures taken by the FAA," it said.

"We're going to do everything we can to get the Federal Aviation Administration to reverse its verdict," the ATR chairman, Henry-Paul Puel, said at a news conference. "We're not going to roll over that easily."

Mr. Puel said "high risk" tests would be carried out at Edwards Air Force Base in California in the next few days, simulating atmospheric conditions that preceded the Indiana crash.

The tests will involve a tanker dropping water on an ATR-42, Mr. Puel said.

More than 290 flights were canceled in Chicago alone within hours of the FAA order on Friday, which could affect as many as 15 percent of the seats available on regional air carriers. Some airlines plan to shift the affected planes to warmer parts of the United States.

Nine U.S. airlines fly 111 of the 40-seat ATR-42s and 42 of the 66-seat ATR-72s. A total of 62 companies worldwide fly 269 ATR-42s and 129 ATR-72s.

American Eagle grounded all 41 ATR commuter airplanes at Chicago's airport. American Eagle decided it was better to ground all flights than to inconvenience customers daily with last-minute decisions about cancellations, a company spokeswoman said.

American Eagle has the nation's largest ATR fleet, and O'Hare is its Midwest hub, where only ATRs are used by the company. American Eagle said it would try to get some of the passengers on flights, bus some commuters to nearby destinations or refund their money.

(AP, AFP)

Serbs Hijack UN Fuel And Halt Aid Convoys

The Associated Press

SARAJEVO, Bosnia-Herzegovina — Bosnian Serbs hijacked a United Nations fuel convoy and on Sunday banned all heavy UN vehicles from their territory, halting many humanitarian aid convoys, officials said.

"This is an outrageously unacceptable behavior," said Lieutenant Colonel Jan-Dirk von Merveldt, a UN spokesman in Sarajevo.

But there appeared little the United Nations could do in the face of continued Bosnian Serb obstructions.

The Bosnian Serbs refused to grant clearance Sunday to a plane carrying the UN commander in Bosnia, Lieutenant General Michael Rose, to land at Sarajevo airport. General Rose, returning from a failed mission to visit his trapped soldiers in northwestern Bihać — a trip blocked by Serbs in neighboring Croatia — landed with-

out the clearance, a UN spokesman said.

The Sarajevo airport has been closed for weeks since Bosnian Serbs positioned surface-to-air missiles in the air corridor approaching the city. That has forced a shutdown in the humanitarian airlift, which supplies 80 percent of the needs of the Bosnian capital's 300,000 residents.

A three-truck Danish fuel convoy was hijacked in Bosnian territory near the airport Saturday night after gunmen blocked the front and rear of the convoy, Colonel von Merveldt said.

With one armed Serb in each vehicle, the convoy was forced to go to a Serb-held part of Sarajevo, where the peacekeepers were questioned. Serbs then agreed to release the troops, but two Danish officers refused to leave. They were believed to be somewhere in the Serb-held part of the city, Colonel von Merveldt said.

Rethink Neutrality, Rights Unit Tells UN

By Barbara Crossette

New York Times Service

NEW YORK — A leading human-rights organization is calling on the United Nations to reconsider its policy of neutrality and to act more forcefully against those who carry out atrocities in the new rash of small conflicts around the world.

"Faced with genocide and mass slaughter, neutrality should not be the ultimate value," the group, Human Rights Watch, said in a report. It calls the United Nations "unique in its capacity to legitimize force in the most extreme circumstances to uphold human rights."

The international survey, "Human Rights Watch World Report 1995," also accuses major industrial nations of following policies that subordinate, and sometimes obliterate, human rights concerns in the name of trade. It takes issue with the argument that economic growth leads to improvements in civil and human rights and the spread of democracy.

"Indeed, even if economic development could be correlated in the long term with improved respect for human rights — an unproven proposition — that would offer little solace to those who are imprisoned or tortured today," said the report.

Human Rights Watch, which this year expanded its organization to new bases in Europe and Central Asia and also opened an office to scrutinize the United Nations, is sharp in its criticism of the Clinton administration.

Specifically Commerce Secretary Ronald H. Brown.

Under Mr. Brown, the report said, U.S. delegations have been "hawking trade and investment deals while relegating human rights to the ineffectual realm of private diplomacy."

The administration's position on India exemplified the shift, Human Rights Watch said. "Its refreshing but short-lived public criticism of Indian abuses in Kashmir was replaced by the eager promotion of an 'emerging market' where public discussion of human rights was taboo."

In Indonesia last month to attend a meeting of the Asia-Pacific Economic Cooperation forum, Mr. Brown played down questions of Indonesian human-rights abuses and what American labor leaders have called unfair practices in the workplace.

The Clinton administration has also backed away from early promises to be tough on China, even publicly undercutting its assistant secretary of state for human rights during talks about renewing a favored trade status for Beijing.

Human Rights Watch said in its report that Washington was not alone in adopting "commercial diplomacy" as a policy.

"Germany, France, Canada and Australia all vied for Chinese commercial contracts, with waning interest in Chinese repression," the report says.

"France, driven by geopolitical designs and commercial motives, led the charge to embrace Iraq's genocidal regime," it says. "The European Union, having concluded a cooperation agreement with India in 1993 conditioned on respect for human rights, lapsed into silence on the atrocities in Kashmir in 1994."

The report also surveys the situations in individual countries, grouped regionally. In addition, it looks at special projects ranging from arms control or prison conditions to women's and children's rights.

WORLD BRIEFS

Journalist a Spy, Ex-KGB Officer Says

LONDON (Reuters) — A former KGB officer considered a British journalist who resigned last week over spy allegations a star informant and paid him more than £10,000, The Sunday Times reported.

The newspaper quoted Oleg Gordievsky, who once headed the Soviet Union's spy network in Britain, as saying that he considered the journalist, Richard Gott, to be a genuine agent.

Mr. Gott, a former Latin America correspondent and literary editor with The Guardian newspaper, has denied allegations that he accepted cash payments from a Soviet agent. He admitted the Soviet Union paid for him to travel to Vienna, Athens and Nicosia to "meet their man" in the 1960s. He resigned from The Guardian last week, saying he had acted foolishly but had not been a spy.

Full Punishment Set for China Fire

BEIJING (Reuters) — Three days after at least 311 children died in China's worst fire in 15 years, Wang Lequan, acting Communist Party secretary of the Xinjiang region, vowed to punish those responsible with "the full fury of the law," the China News Agency said Sunday.

The fire raged through a hall Thursday when it was packed with more than 800 people, including 500 schoolchildren. When frightened children tried to escape, they were ordered to remain sitting and maintain discipline, an official said.

Most of the victims were sitting in front rows. They were engulfed in flames when a ball of fire erupted from the curtains and exploded into the auditorium, witnesses said. All the doors except one were padlocked, and iron bars blocked the windows. Preliminary investigations showed the inferno was sparked by an electrical short circuit in the roof.

Italian Neofascists Denounce Fini

BOLOGNA, Italy (AP) — Neofascist leaders denounced Gianfranco Fini as a traitor to the movement Sunday, as the steering committee of the Italian Social Movement, or MSI, in effect completed the break Mr. Fini sought from the group. But it could also pose a challenge to Mr. Fini's National Alliance party, part of the governing coalition, by drawing away its far-right ranks.

The movement's leaders said they would seek court permission to retain the group's name and its flame-shaped symbol after Mr. Fini severed it from the National Alliance. Mr. Fini, seeking to distance his rightist party from its hard-line roots, plans to hold a meeting next month to banish the MSI and strike its flame symbol from the National Alliance emblem.

The movement's leaders approved a statement "marking the demise of Fini from the membership and as national secretary of the MSI for rescinding and chronic violations of the rules of the party," the ANSA press agency reported.

Bangladesh Judge's Home Bombed

DHAKA, Bangladesh (AP) — Three bombs exploded Sunday in the home of a judge who ordered opposition lawmakers to end their nine-month boycott of Parliament. The explosions damaged a car and wounded its driver, the police said.

The bombs — tin pots of explosives and glass fragments — were tossed inside the judge's home even before he left the courtroom. No one took responsibility for the attack, but the judge, Kazi Monwaruddin, said the ruling was "the apparent reason."

He and another High Court judge ruled Sunday that the boycott, aimed at forcing out Prime Minister Khaliqa Zia, was illegal. The court did not say how it would enforce its ruling. Opposition lawmakers accuse Begum Zia's government of vote fraud, corruption and ineptitude. They want her to step down and call general elections, which are not scheduled until 1996.

TRAVEL UPDATE

A Rocky Road for Travelers in Spain

MADRID (AP) — Surface and air travel in Spain appeared headed for a rough week Monday, with railroad, airline and subway strikes scheduled. A nationwide strike will force a cancellation of all international and long-distance train service, while maintenance and service unions plan a simultaneous 24-hour stoppage against Iberia airlines.

Iberia pilots, who turned down the management plan to keep the cash-strapped national carrier airborne, approved their own plan on Sunday for the airline's future and called on service and ground crews to reject management proposals.

Transport Ministry officials said Sunday they would concentrate on maintaining commuter service on RENFE, the state railroad system, through an agreement with striking unions.

The Brussels international airport opened a new 21-billion-franc (\$656 million) terminal Sunday that should increase the number of passengers it can handle from 6 million to more than 20 million a year.

(AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Kenya, Mauritania, Mexico, Thailand, Venezuela.
TUESDAY: Malta.
FRIDAY: Bahrain, Bangladesh, Kazakhstan, South Africa.
SATURDAY: Bhutan, Sri Lanka.

Sources: J.P. Morgan, Reuters.

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BelgiumCC 0800-10012	FinlandCC 1-800-623-4044	KoreaCC 800-674-7000	Peru (Outside of Lima, dial 190 first.)	Trinidad & Tobago 0800-0000
BermudaCC 0-800-2222	FranceCC 0800-2222	KuwaitCC 001-800-0000	PolandCC 06-017-1234	TurkeyCC 00-0001-1171
BrazilCC 1-800-888-8000	GermanyCC 0800-5012	LebanonCC 600-424	PortugalCC 001-180	UkraineCC 0970-013
CanadaCC 1-800-824-1000	GreeceCC 0800-5012	LiechtensteinCC 426-0399	Puerto RicoCC 001-800-888-8000	United Arab Emirates 800-111
Cayman Islands 000-002	HondurasCC 000-002	LuxembourgCC 0800-0112	RomaniaCC 01-800-1800	United KingdomCC 0800-89-0222
ChileCC 000-002	HungaryCC 000-002	MexicoCC 001-800-444-1234	RussiaCC 0800-012-77	U.S. Virgin Islands 000-412
ColombiaCC 000-002	NetherlandsCC 000-002	MoroccoCC 001-800-674-7000	Saudi Arabia 01-800-1800	VietnamCC 1-800-888-8000
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THE AMERICAS / SHRINKING THE CIA

Ex-Intelligence Chief Urges a Sharply Trimmed Agency

By Walter Pincus
Washington Post Service

WASHINGTON — Robert M. Gates, a former director of Central Intelligence, has drawn up a far-reaching proposal to create a dramatically smaller, more focused spy agency by transferring some of its functions to the Pentagon and other agencies, and the plan has attracted the attention of senior administration officials.

"The idea," Mr. Gates said in an interview, "is to have a leaner, more focused and

tougher CIA and force the Pentagon, which gets five-sixths of the intelligence community budget, to get rid of its approach, which was left over from the Cold War."

At the White House, where the National Security Council is preparing its own plans for intelligence in the coming year, Mr. Gates's ideas were described by one senior official as "interesting" and "reflective of some of our thinking."

Mr. Gates, whose 20-year agency career also included ser-

vice on the security council staff under three presidents — Gerald R. Ford, Jimmy Carter and George Bush — developed his proposals in the course of making speeches to audiences concerned about the future of the Central Intelligence Agency. He recently described them to a small Washington audience, including legislators and administration experts.

Among the more controversial elements in his proposal is the creation of a director of military intelligence and transfer-

ring to that four-star officer and the Pentagon all of the CIA's responsibility for analysis of foreign weapons and military force levels. "This would end the competitive military analysis between the services and CIA," Mr. Gates said.

The only exception would be to have the CIA continue collection and analysis involving nuclear, chemical and biological weapons of mass destruction, so that there would continue to be competing analyses to make certain nothing is missed.

Under the Gates plan, the individual military services would also be given responsibility for paramilitary operations around the world, most of which in the past have been carried out as covert activities of the CIA.

In return for these new responsibilities, Mr. Gates said, the Defense Department would have to cut back the "three-tiered duplication" of analysis and research of threats, weapons and force numbers that now are done by the Defense

Intelligence Agency, the intelligence components of the separate military services and their unified commands.

Mr. Gates would also take the CIA's science and technology directorate out of managing imagery satellites, the ones that take photos, radar or infrared images from space.

That responsibility would be given either to the National Reconnaissance Organization or to a new National Imagery Agency, based in the Pentagon.

★ POLITICAL NOTES ★

Polishing an Image, and Stepping on Toes

WASHINGTON — House Republicans have hurried to show that they are different not only from the dethroned Democrats, but also from the popular conception of Republicans as a homogenous party of uncaring, rich white men.

The party has elevated more women to important positions than have the Democrats, has tried to reach out to black liberal Democrats, and moved to open up debate on the House floor, which had been tightly controlled by the Democratic leadership in earlier Congresses.

The House speaker-to-be, Newt Gingrich of Georgia, has sought to soften his confrontational image, changing his rhetoric on welfare reform, pushing some family-oriented policies for legislators and backing off an austerity measure to deny dismissed House employees accrued vacation pay.

Some of the changes have caused problems, both for the party and for Mr. Gingrich personally. For example, after Mr. Gingrich opened discussions with Democrats in the Congressional Black Caucus — in hopes of reaching compromises with them on the conservative goal of a capital gains tax cut — he infuriated them by supporting a move to take away the offices and budgets of 28 caucuses, including those for black, Hispanic and female lawmakers. (WP)

Clinton Foreign Policy: Some Optimism

WASHINGTON — While Republican legislators map plans to attack President Bill Clinton's foreign policy, he can take heart that his worst nightmare is not being realized: Jesse Helms of North Carolina, the new chairman of the Senate Foreign Relations Committee, will not single-handedly determine his party's agenda.

Instead, the mix will include several moderate voices, including Senator Bob Dole of Kansas, the incoming majority leader, Senator John S. McCain 3d of Arizona, a leading Republican strategist on national security matters, and Benjamin A. Gilman of New York, the new chairman of the House Foreign Affairs Committee.

These and other Republicans are already bickering among themselves, a development that could enable Mr. Clinton to gain their backing in foreign policy disputes. He may even be able to pick off enough Republicans to prevent Congress from blocking some of his diplomatic initiatives. (NYT)

Clinton Shoots Down Gingrich Proposal

WASHINGTON — President Bill Clinton has opened fire at Representative Gingrich, saying in his weekly radio address that those who advocated putting children in orphanages as an alternative to welfare were "dead wrong."

The president has announced plans to meet with Republicans and Democrats from around the country next month to share ideas about overhauling the welfare system. But aides said that although Mr. Clinton remained open to compromising with the Republicans, he believed it was important to draw the line against a proposal that has proved controversial even among Republicans.

Mr. Clinton has proposed that money saved by denying welfare benefits to young mothers be used to provide services to children, including promoting adoptions and establishing orphanages or group homes. (NYT)

Quote/Unquote

Harvey Fineberg, dean of the Harvard School of Public Health, after the Surgeon-General Joycelyn Elders was forced to resign for saying that masturbation should perhaps be taught in public schools: "Dr. Elders's great virtue was her willingness to speak out as she saw the needs and the problems. I think it was also her undoing." (WP)

Americas Summit Splits Over Cuba

By William Booth
Washington Post Service

MIAMI — Although President Bill Clinton wanted to keep Cuba off the agenda at the Summit of the Americas, more than 50,000 flag-waving, coffin-carrying Cuban exiles and their supporters who marched into the Orange Bowl stadium had other ideas.

The issue of Cuba is among the most divisive for Latin American leaders, who are split on bashing President Fidel Castro or trying to bring his country into the hemispheric family with freer trade and fuller relations as an anticommunist.

For years, many Latin Americans have applauded Mr. Castro for needing the Yankee imperialists. But with the end of the Cold War and the collapse of Cuba's protector, the Soviet Union, Cuba increasingly is seen in the region as an anachronistic failure.

only leader in the hemisphere not invited to Miami, hold free elections. The other 34 leaders in the region have been elected by popular civilian vote.

President Carlos Saul Menem of Argentina could probably be elected mayor here now, after breaking ranks with other Latin American leaders by pledging to push for democratization on the island.

On Saturday, in private meetings with the 34 leaders of the hemisphere, Mr. Menem again raised the issue of Cuba and, according to Argentine sources, now has the support of at least several Central American leaders.

Several Caribbean leaders say they want to transform Cuba not by attacking Mr. Castro but by engaging him and pressing the Clinton administration to resume relations with the island.



Cuban women in symbolic chains and wearing "P" for "prisoner" shirts demonstrating against Fidel Castro in Miami.

In one of the largest demonstrations in years, tens of thousands of Cuban immigrants and their children poured into the Orange Bowl on Saturday, where they sang the island's national anthem and chanted for its liberation from Communist rule.

The Clinton administration wanted to keep the talks at the summit focused on free trade, but the Cuban exiles and their political allies have kept pushing the administration and the Latin American dignitaries to demand that Mr. Castro, the

"If the United States can establish diplomatic ties with North Korea and Vietnam, we can see no basis why diplomatic relations cannot exist with Cuba," Prime Minister P.J. Patterson of Jamaica said recently.

Yet even Mr. Menem advocates something the Miami Cubans are dead set against: dialogue with Mr. Castro. The Cuban exiles believe that by continuing to isolate and denounce the Cuban leader they will eventually topple his 35-year-old regime.

Away From Politics

• A convict was put to death by lethal injection in Huntsville, Texas, for a 1984 barroom killing of which he professed innocence. Raymond Kinnaman, 53, made a 35-minute final statement in which he condemned the death penalty. (Reuters)

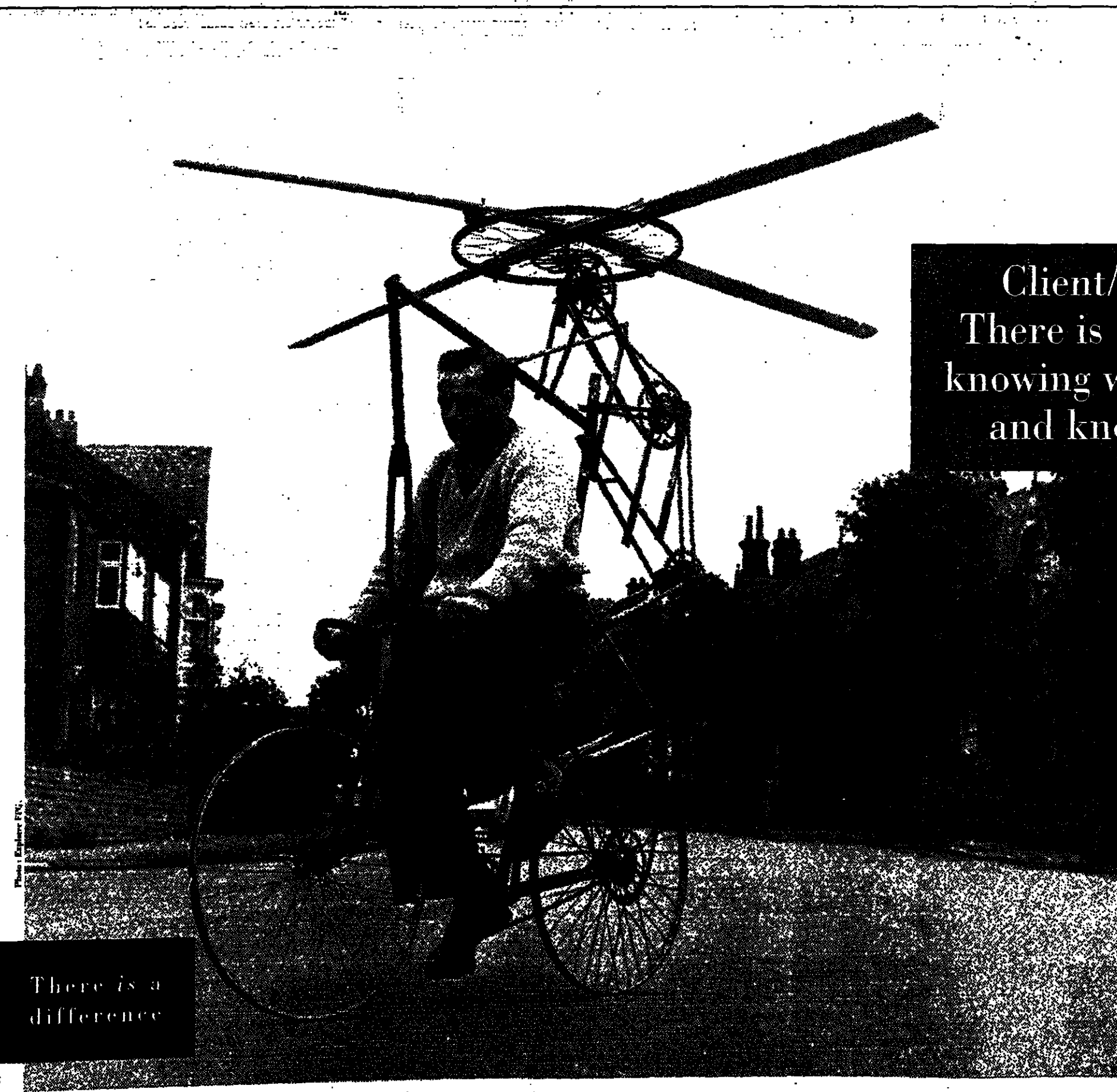
• A 19-year-old shot and wounded his former girlfriend and another teenager in Pelham, Georgia, just before a Christmas parade, then killed himself with a bullet in his head. Charles Earnest Swiley fired

a hunting rifle with a scope from behind a hedge about 25 yards from the parade staging area where about 200 people had gathered, a police investigator said. (AP)

• A jury awarded more than \$1.8 million to a woman who claimed the funk singer Rick James and his companion beat her and held her hostage in a hotel room in Hollywood, California. The jury is to meet Monday to consider whether Mr. James should pay punitive damages to Mary Sauger, her lawyer said. Mr. James, 45, was convicted of assaulting Miss Sauger and was sentenced in Janu-

ary to five years and four months in prison. His companion, Tanya Anne Hiji, 23, was sentenced to four years in prison. (AP)

• Two survivors of a Ukrainian cargo ship that sank Friday in a North Atlantic storm were found and rescued by a helicopter and a merchant vessel on Saturday as a wide sea-and-air search continued 1,200 miles off the New Jersey coast for 29 other members of the ship's company. The Coast Guard reported late Saturday that merchant ships in the search area had recovered the bodies of seven of the missing men. (NYT)



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The Nigerian Junta Is Tightening Its Grip

'We've Never Seen Anything Like This,' Lagos Lawyer Says

By Howard W. French
New York Times Service

LAGOS — When Nigeria's military leaders crushed a strike in August aimed at forcing them to respect the results of nullified national elections, many people braced for another long chapter of stern rule by an army that has controlled power for most of the country's 34 years of independence.

In its latest attempt to tighten control, the military suspended habeas corpus, a protection against illegal imprisonment, a week ago.

The move, which denies arrested people the right to appear before a judge, comes as the government pursues its roundup of opponents and ignores court rulings providing for the release on bail or for medical treatment of the man believed to have won the presidential election in June 1993.

"The military has been going around giving speeches saying they respect the independence of the judiciary," said Ise Sagay, a Lagos lawyer and hu-

man-rights advocate. "Of all the dictatorships we have suffered, we have never seen anything like this before."

Opposition to military rule is rising, feeding renewed hopes of a return to democracy.

In a surprising show of the spreading disaffection, delegates to a conference set up to rewrite the constitution ignored urgings by army leaders that they be granted as much as three more years in power.

Instead, the conference last week demanded new elections and a transition to civilian rule by Jan. 1, 1996.

The constitutional gathering, in the capital, Abuja, had been widely considered an exercise to buy time for the military leader, General Sani Abacha, and to provide legal cover for his government's imprisonment in June on treason charges of Moshood K. O. Abiola, presumed winner of the 1993 election.

But with the popular mood turning strongly against the army after a sharp decline in living standards in the last year

and Mr. Abiola's continued detention, many politicians at the conference seem to have decided that the only way to save their careers is by turning on their military patrons.

Delegates reported that the government had sought to sway their decision on the transition by threatening withdrawal of official vehicles and other perquisites, but those who urged a slower handover to civilian rule had nonetheless been shouted down by the majority.

Diplomats say that if the government can count any successes since it took power one year ago, it has been in generating resignation among Nigerians, including many of Mr. Abiola's supporters, about his ever taking office.

"This is really the bottom line for these people, that Abiola never be allowed to become president," said one diplomat, referring to the government.

Government officials who publicly maintain that Mr. Abiola is receiving fair treat-

ment concede in private that no amount of legal arguments will secure his freedom.

The official said the government feared that if he was released, Mr. Abiola, a wealthy publisher, would "use his fortune" to revive his claim on the presidency.

Diplomats who have seen him in jail say Mr. Abiola, who has long suffered from high blood pressure and circulatory problems, has recently had neurological and "severe digestive problems."

Along with many Nigerian political analysts, these diplomats say that now that the constitutional conference has established a date for civilian rule, there are two primary threats to the military.

One is the likelihood of unrest if Mr. Abiola dies in prison. The other is a new wave of opposition, coupled with strong international pressure, that would be sparked if General Abacha refuses to abide by the handover date.

Iran Is Backing Education, Not Punishment

New York Times Service

TEHRAN — Iran has declared that education and rehabilitation have replaced punishment for convicts and invited international organizations to inspect the country's prisons.

As part of the new policy, journalists were granted a tour of a penitentiary where tens of thousands of political dissidents have been detained, tortured and executed since 1964.

Nonetheless, the authorities denied journalists' requests to visit the solitary wing of Evin Penitentiary.

The tour of Evin, the second this year, was seen as an attempt to address recent reports of human rights abuses, including a report by the UN human rights commissioner accusing Iran of violating the rights of women and religious minorities, among other things.

Lord Joseph, 76, Ex-Cabinet Minister And Senior Thatcher Adviser, Dies

By Richard W. Stevenson
New York Times Service

LONDON — Lord Joseph, 76, a former cabinet minister and one of the main ideological architects of the Conservative Party's free-market philosophy under Prime Minister Margaret Thatcher, died Saturday.

A spokesman said the cause of death was chest complications from a stroke he suffered last year.

Keith Joseph was a Conservative member of Parliament from 1956 until 1987. During that period, he served in a succession of cabinet posts, starting with the post of minister for housing and local government from 1959 to 1961 and ending as education and science secretary for five years until 1986.

Mrs. Thatcher considered him one of her chief mentors and most important aides. She entrusted to him a central goal of her administration when she became prime minister in 1979 — that of transforming British industry by privatizing state-

owned companies and diminishing the power of unions.

He served as secretary of state for industry for two years, until 1981, and played a central role in breaking a strike at British Steel. He also helped begin a process that led over the next decade to the sale of British Airways, British Telecom, and many other large state-owned companies.

As education secretary, he clashed bitterly with the teachers' unions in an effort to hold down pay increases.

In a statement, Lady Thatcher said: "Today I have lost one of my dearest friends, England one of her greatest men."

William Luce, News Editor Of The New York Times, 70, died Friday in Jacksonville, Florida, where he was vacationing. He lived in Englewood, New Jersey. The cause of death was an aneurysm, his family said.

A shirt-sleeve editor with a

zest for life, Mr. Luce was an old-fashioned newspaperman who turned his skills to shaping local, national and cultural coverage at The Times, rising to the position of news editor, in which he supervised the editing of the newspaper.

Mildred Hillson, 96, who raised millions of dollars for charities, museums and the Republican Party, died Saturday in New York.

Antal Apró, 81, an old-guard Communist leader and former deputy prime minister who opposed the 1956 uprising against Soviet rule, died in Budapest Friday.

Phoum Siprasen, 74, the deputy prime minister of Laos, died of a heart attack in Vientiane, the official Vietnam News reported in Hanoi on Friday.

Israel Aaron Maisels, 89, an attorney who successfully defended Nelson Mandela and other senior anti-apartheid activists in several trials, died Thursday.

BRIDGE

By Alan Truscott

THE captain of one contending team in The Fall Nationals of the American Contract Bridge League, was Michael Becker, who held the West cards on the diagramed deal in the Spingold Knockout Teams. He opened the bidding with one diamond, then found himself defending four hearts after a take-out double by North.

The opening lead was the club king, and when East played a discouraging club, the chance for successful defense seemed poor. There was little point in shifting to the singleton spade, since East could not have an entry. The obvious play was to cash the club ace and hope for something good to happen.

That was what West did in the replay, and nothing good happened. When a third club was played, South won in dummy, crossed to the spade jack and led a trump. When the jack was played and won with the king, he led another trump, hoping for an even split, and was rewarded.

Becker made a subtle play. At the second trick, he led an

apparently innocuous diamond to dummy's diamond ace. This gave South another possibility and he snatched it, unwisely as it proved. He crossed to the spade jack and played his diamond winners, throwing the remaining clubs from the dummy. East ruffed, and gave his partner a spade ruff to beat the contract.

Should South have seen through the trap? Maybe — but give Becker credit for setting it.

NORTH
AKQ4
KQ855
A
QJ38

WEST (D)
AJ
1088552
103
96
876

SOUTH
103
KQ103
542

Both sides were vulnerable. The bidding:
West North East South
1♦ 1♣ Pass 1♥
2♣ 4♥ Pass
Pass

West led the club king.

GOING ABROAD: European Travel in Nineteenth-Century American Culture

By William W. Stowe. 251 pages. \$24.95. Princeton University Press.

Reviewed by Jonathan Yardley

EARLY in the 19th century, Americans started venturing across the Atlantic to Europe in ever-growing numbers. As William W. Stowe puts it in "Going Abroad," "With the large-scale introduction of fast, comfortable and fairly reliable North Atlantic steamships and the roughly simultaneous expansion of European railway networks, the tide of the early 19th century became a torrent, and the American tourist in Europe became a commonplace." Or, in the words of one of those tourists, Mark Twain: "During that memorable month I basked in the happiness of being for once in my life drifting with the tide of a great popular movement. Every body was going to Europe — I, too, was going to Europe. Every

body was going to the famous Paris Exposition — I, too, was going to the Paris Exposition. The steamship lines were carrying Americans out of the various ports of the country at the rate of four or five thousand a week, in the aggregate. If I met a dozen individuals, during that month, who were not going to Europe shortly, I have no distinct remembrance of it now."

They went to Europe, but why? The explanation might seem close at hand — to see the famous sights, to soak up culture, to have a good time — but it is not in the nature of contemporary American scholarship to settle for the obvious; instead, beneath the surface of ordinary human events one must be ever alert for Meaning. Thus it is that Stowe, who teaches English at Wesleyan University in Connecticut, has plumbed the travel writing done by many of these innocents abroad and has found in it not merely Meaning but also Correct Meaning.

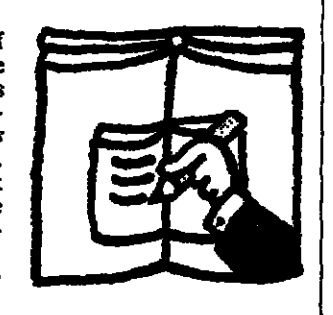
Yes, the subject of correctness is tiresome, but when its ugly head is reared there's little to do save recognize it for what it is. Thus we have Stowe asserting in his preface that "one way

BOOKS

WHAT THEY'RE READING

● Louis Begley, president of PEN American Center and the author of "The Man Who Was Late: A Novel," has just finished reading "Le Mauvais Genre" by François Nourissier. "The most marvelous book about writing in general, the uses of memory and other novelistic concerns."

(Mavis Guinard, IHT)



the past to suit the ideological convenience of the present.

Thus we have Stowe, who clearly is determined not merely to placate his feminist colleagues but to be more feminist than the queen. "Going Abroad" is riddled with the stale rhetoric of chic scholarship: Not merely are "empowerment" and "privilege" and "domination" pervasively present, but the reader is treated to such twists of the knife as "canonical sights" instead of what normal people would call "tourist attractions." So reading "Going Abroad" is a vexing if not infuriating task made all the more so by the recognition that beneath all the obligatory rhetoric is an intelligent mind.

Studying the chronicles of the famous as well as the unknown, Stowe shows how Americans sought, consciously or not, to improve and redefine themselves in the Old World. But just about every time he writes something sensible, he follows it with indigestible prattle such as "the historically problematic class and gender identity of certain 19th-century men." The final result is a book that will appeal only to true believers and will seem, to all else, a missive from another planet.

Jonathan Yardley is on the staff of the Washington Post.

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The engines are quietly humming at 37,000 ft. above the Indian Ocean. And you wish you could sleep. Then you remember who you're flying with.



Zzzzzzz.

In Chechnya, a Touch of Old Soviet Style

By Steven Erlanger

New York Times Service

MOSCOW — Russia's invasion of Chechnya, the small, fierce Caucasian state that declared independence three years ago, will make the visits to Moscow this week by Vice President Al Gore and Defense Secretary William J. Perry that much more difficult and delicate.

Mr. Gore and Mr. Perry will inevitably try to restore a sense of comity and momentum to a relationship that to Washington, at least, suddenly seems to have lost its spark.

Similarly, Secretary of State Warren M. Christopher plans a meeting with Foreign Minister Andrei V. Kozirev to "clear the air" after sharp Russian opposition last week to U.S. policy on NATO, Bosnia and Iraq.

But the invasion of Chechnya, and the manner in which it was done, will hardly help the Clinton administration's efforts to preserve its aid-Russia policy with the incoming Republican Congress.

Chechnya, a mountainous and obstreperous state of only 1.3 million people and seemingly as many feuding clans, is part of Russia, and Moscow has never accepted its independence.

Washington has taken the position that, unlike the cases of Azerbaijan or Ukraine, what happens in Chechnya is "an internal Russian affair."

But it can hardly ignore what seems to be a new aggressiveness on the part of a Russia with whom it is talking of close partnership only a year ago.

The way the government of President Boris N. Yeltsin has moved to subvert the

Chechen leadership, with the establishment and funding of a "liberation force" and a nominally secret, though poorly hidden military intervention, has all the ring of the old Soviet style in Africa and the Third World.

It seemed to be taken straight from Soviet textbooks on destabilization, said Oleg Kalugin, a former KGB general, and

NEWS ANALYSIS

it is an indication of how much Mr. Yeltsin seems, these days, to be depending on the "power ministries" he controls — the military and the intelligence services — and paying less attention to either public or parliamentary opinion.

"It's done in the old style, and it's a disaster, which the democrats and the intelligentsia cannot support," said Mr. Kalugin, who broke with the KGB and considers himself a liberal. He pointed to the immediate opposition to the invasion expressed by Yegor T. Gaidar, the former prime minister, who has been reluctant to break with Mr. Yeltsin on any other issue.

"It's a clear sign of the growing, if not overwhelming, influence of the security people on Mr. Yeltsin," Mr. Kalugin said. It is also a sign of a leader who has made a different set of alliances. Three years ago, when he was the hero of the democrats and in the process of destroying the Soviet Union, Mr. Yeltsin listened to his former vice president, Alexander V. Rutskoi, and tried to crush the Chechen rebellion.

But the Chechens resisted, and the Russian Parliament ordered him to pull the

troops back. He complied, but it is unlikely that he would today.

It is not just that Mr. Yeltsin has moved to the center, seeking support from nationalists and not just from democrats, who have been divided and not especially popular. To fail twice in Chechnya would destroy Mr. Yeltsin's authority, and it would also underline the weakness of the central government.

The battle against Chechnya can be portrayed as a fight for Russian unity and against chaos and crime, given the prominence of Chechens in the so-called mafia that bedevils and corrupts all of Russia. And if Mr. Yeltsin is lucky, a Chechen population tired of three years of poverty and confusion under its current leaders will not strongly resist a Russian intervention on the side of more "reasonable" Chechens.

But the Russian invasion is more likely to create a stronger Chechen patriotism in a region only conquered by the czars in 1878, after a long and nasty guerrilla war that presaged Afghanistan. And the Chechens have the capacity to bring the war to Moscow with terrorist incidents.

More concretely, Russia is now faced with the traditional military problem, well-known to Americans in Vietnam or Somalia: It's easy to get in and hard to get out.

Mr. Yeltsin is in the hospital, recovering from a conveniently timed operation to his nose, apparently damaged in a childhood scrap, and it is probable that he will be unable to see Mr. Gore. It will also be interesting to see whom Mr. Perry gets to meet, given the open opposition of some high-ranking military officers.

DELORS:

Not a Candidate

Continued from Page 1

pleased governments in Paris, including conservative ones.

This rare mix of ideologically contradictory views has always made Mr. Delors a disconcerting figure in French politics.

A former Socialist finance minister who ended up imposing budget austerity as the path for national competitiveness, Mr. Delors became in Brussels the architect of a stronger Europe in which member governments pooled their powers in order to operate on a par with the United States and Japan.

As a potential presidential candidate, Mr. Delors said that France should take the leadership of a better organized European community at the cost of delegating some sovereignty to a streamlined European Commission — a view close to Bonn's thinking but opposed publicly by all French conservatives.

When he emerged as a possible candidate this fall, opinion polls showed him as the nation's favorite, partly because of his image as a man of rock-like personal integrity at a time when France has been wracked with corruption scandals.

But French opinion also remained widely opposed to the Socialists, who suffered a landslide defeat in Parliament last year, so Mr. Delors faced an uphill battle in trying to translate his personal popularity into a working political majority.

If he had run, Mr. Delors was expected to announce that, if elected, he would immediately hold a national referendum to increase the powers of Parliament and make other institutional changes to improve the balance of authority in the French system.

With that reform to give him momentum, he could then have called for new national elections in hopes that Socialists would recapture enough seats for Mr. Delors to tempt the center-right parties to break ranks with the conservatives and form a new centrist voting block.

TERROR: Fatal Blast on a 747

Continued from Page 1

Haruki Ikegami, 24, Mr. Ikegami and the 10 injured passengers were all Japanese. The flight originated in Manila and made an intermediate stop on Cebu Island, site of several beach resorts. The passengers were mainly Japanese tourists, NHK reported.

Passengers and crew members told reporters in Naha that the blast happened at 10:45 A.M., three hours out of Tokyo's Narita Airport.

Japanese media reports said the explosion appeared to have occurred at Row 26 in the econ-

omy section of the plane. The victims were apparently sitting in or near that row when the explosion occurred.

After the explosion, the pilot, Eduardo Reyes, dropped to 10,000 feet from 30,000 and changed course for Naha.

But it took an hour to get there — an hour when passengers feared that another explosion might be imminent.

When the plane landed safely, the passengers burst into a round of applause for the pilot. Passengers praised the pilot and crew for handling the crisis calmly.



A member of the Chechen Women's Defense Brigade at a solidarity rally in Grozny.

RUSSIA: Chechnya Action

Continued from Page 1

planned and executed assault on Grozny on Nov. 26. When the smoke cleared, Mr. Dudaev's forces had taken more than 20 Russian troops prisoner.

After that, Mr. Yeltsin, who is under pressure from nationalists to stand up for Russian interests, ran out of patience and ordered a build-up of Russian forces on Chechnya's borders.

Although the Russian prisoners were freed last week, Mr. Yeltsin on Friday signed a decree ordering that "all available measures" be used to disarm the Chechen forces and restore "constitutional order" in the region.

On Saturday, the 63-year-old president underwent a minor operation on his nose that was expected to keep him away from the office for a week.

Prime Minister Viktor S. Chernomyrdin met Sunday with the leaders of Russia's two houses of Parliament. The meeting seemed an effort to stem rising opposition among moderate and liberal politicians to using force against the breakaway republic.

To underline that opposition, several hundred demonstrators gathered in freezing weather in downtown Moscow on Sunday to denounce Mr. Yeltsin's decision to use force against Chechnya.

"We received information that Grozny will be stormed to night," said former Prime Minister Yegor T. Gaidar, a leading liberal. "The attack will end in a sea of blood. Grozny should not be stormed. It is a Russian town on Russian soil."

Mr. Gaidar warned Saturday that hard-liners in the Russian government and security services had conceived the attack on Grozny as a way to derail Russian democratic reforms. He said the hard-liners were counting on the Chechens to respond to the invasion with a campaign of terror against Moscow.

Farmers' Protection May End

Reuters

BRUSSELS — One of the European Union's most expensive policies, which protects farmers' incomes from currency fluctuations, is likely to be abolished by farm ministers this week.

The so-called switchover mechanism, introduced in 1984 to cushion German farmers from a cut in prices after a revaluation of the mark, has sent farm prices nearly 21 percent above market levels and cost more than \$35 billion in the last 10 years.

"We should at least have a political decision," said the EU farm commissioner, Rene Steichen.

Reform of the EU's complex "green money" system to convert subsidies from European currency units into national currencies is one of a long list of items that EU farm ministers will start to tackle on Monday in a meeting expected to last several days.

"The switchover is dead and gone," said a Union diplomat, who added that member states disagreed over what should replace it, notably compensation measures for farmers.

A final decision can only be made after the European Parliament has given its opinion, expected early in 1995.

"We're not seeking to keep the switchover," said a German official. "But we want to avoid German farmers suffering a loss in income after a revaluation."

As the European Union's chief paymaster and current president of the council of ministers, Germany will play a key role in reaching a compromise agreement.

The farm commissioner warned against a German-led effort to resurrect a mini-switchover system, automatically converting a price cut for farmers whose currencies revalue into higher compensatory payments for all other farmers with weaker currencies.

"They're trying to bring it in again through the back door," added a Steichen aide, noting that only Britain has resisted the German move.

Each 1 percent revaluation of the mark would cost an estimated \$255 million in higher area aid and livestock premiums agreed under the 1992 reform of the Common Agricultural Policy compared with \$365 million under the old switchover.

"It's crazy to compensate farmers for price cuts they've never experienced," the aide said.

EUROPE: EU Moves Away From 'Ever-Closer Union'

Continued from Page 1

to form a blocking minority against small-state demands.

"Is this the Europe we want?" he asked.

The analysis struck a chord with Prime Minister John Major of Britain, who defended once again Britain's opt-out from the Union's single-currency plan, and Prime Minister Edouard Balladur of France, who cited the same voting worry in his recent proposal to al-

low different subgroups within the Union to cooperate on areas such as defense, economics and regional policy.

Chancellor Helmut Kohl of Germany, the stoutest backer of deeper integration, said leaders needed to make their Union "irreversible" but he avoided mention of his party's recent call for a hard core of committed states to force the pace.

To be sure, the idea of a Europe as little more than a free-

trade zone remains anathema outside Britain. Mr. Balladur said France would prepare proposals for a common foreign-policy apparatus during its EU presidency, which begins next month. And Mr. Kohl said the meeting at the European Union train, "you can't have the slowest car dictating the pace for all."

But there was agreement among all the leaders to avoid an ideological debate over a federal Europe, which carries different meanings in each country, and instead take a "pragmatic" look at what is needed, according to President Francois Mitterrand of France.

The gathering made clear that the cost of absorbing the poor Eastern countries and the difficulty of finding consensus among a growing number of members would force big changes in the way the Union is run, officials said.

In its details, the summit meeting indicated that pragmatism involved a more limited vision.

In this Tuesday's

Style

Todd Oldham's Time

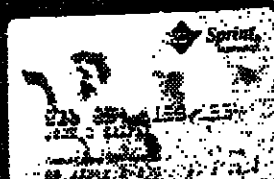
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INTERNATIONAL Herald Tribune

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Ex-Health Aide

Has No Regrets

About Comments

Agence France-Press

WASHINGTON — Surgeon General Jocelyn Elders, who resigned last week under White House pressure, said she had no regrets about comments that led to her downfall.

In a telephone interview with NBC television broadcast Sunday, Dr. Elders said she did not know whether President Bill Clinton was goaded by conservative Republicans to press for her to leave, saying only, "He did what he had to do."

Dr. Elders had been outspoken on sexual education and drugs. This got her into hot water with conservatives in her own Democratic Party and with Republicans in Congress.

"I don't really have any regrets," she said. "I try to speak what I see as the truth."

The coup de grace was her comment on masturbation. Asked during an AIDS conference about bringing masturbation to sexual education in the schools as a means of controlling AIDS, Dr. Elders said she believed that such education should be considered.

CLINTON: With Pals Like This, Who Needs Enemies?

Continued from Page 1

With victorious Republicans in Congress pushing a conservative agenda, Mr. Clinton jettisoned an official whose outspokenness on incendiary issues was an increasing liability for the president, particularly in his current wounded condition and as the 1996 presidential election draws near.

But even as he divested his administration of one political difficulty, Mr. Clinton found himself confronted with another: the Hubbell guilty plea and its potential legal and political fallout. A former law partner of Hillary Rodham Clinton, Mr. Hubbell admitted bilking his law firm and clients of nearly \$400,000.

Mr. Hubbell's criminal conduct took place before Mr. Clinton's election, but the closeness of their relationship, and the fact that the president brought him into the highest councils of the Justice Department, poses a new political difficulty for the president at a moment when that is the last thing he needs.

Mr. Hubbell promised to cooperate with Mr. Starr, and some Republicans suggested

that Mr. Hubbell could hold the key to uncovering possible administration tampering with the Whitewater investigation.

Mr. Starr is also conducting a broader inquiry into the billing practices at Rose, and the firm is under scrutiny in five separate federal inquiries. But officials and Democratic strategists said last week that they believed the bigger peril for the president posed by Mr. Hubbell's guilty plea was political rather than legal because they believe Mr. Hubbell has nothing damaging to say about the president.

The accident of timing that brought the two events together in the same week served as a painful reminder of what has happened to the Clinton administration in the last two years.

It was two years ago, on Christmas Eve, that then President-elect Clinton pointed proudly to the very trait that ultimately led him to dismiss Dr. Elders — her outspokenness — as he announced her selection. In office, as Dr. Elders' early controversial statements demonstrated the accuracy of the president's assessment, Mr. Clinton had

the political capital to withstand conservative demands for her ouster.

"Her detractors were largely viewed as little more than gnats," Mr. Neel said, adding that now, "The detractors have now become lions and tigers."

Although they had weathered Dr. Elders' calls for legalization of drugs and blasts at the Roman Catholic Church for its "love affair with the fetus," officials insist that her comments on teaching masturbation went so far beyond the pale that she would have been dropped no matter what the political climate.

A Middle-Class Tax Cut?

With Republicans clamoring for tax cuts, Mr. Clinton said Sunday he thought the federal government could afford a tax break for middle-class Americans. Reuters reported from Miami.

Mr. Clinton, who promised a middle-class tax cut during the 1992 campaign, told reporters after the Summit of the Americas, "I want to fulfill the commitment of our campaign and my commitment to tax fairness," he said.

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Anguilla (dedicated phone)	000-800-1000	Czech Republic	000-800-1000	Japan (KOD) (English) +	0039-131	Philippines (ETP) (English) only	102-01
Antigua (pay phone)	000-800-1000	Denmark	000-800-1000	Japan (Japanese)	0066-55-888	Philippines (PhilCom)	102-611
Argentina	000-800-1000	Dominican Republic	000-800-1000	Korea (KOD)	0082-12	Philippines (PLOT)	105-16
Armenia	000-800-1000	Ecuador	000-800-1000	Korea (KOD) (English) +	0082-12	Poland	0048-000-115
Australia (0000) +	0061-115	Egypt (Cairo)	0020-277	Korea (KOD) (English) +	0082-12	Portugal	00351-1-427
Australia (Telstra) +	0061-115	Egypt (Tel Aviv)	0020-277	Korea (KOD) (English) +	0082-12	Portugal (Lisbon)	00351-1-427
Austria	0043-1000	France	0033-1000	Korea (KOD) (English) +	0082-12	Romania	0040-000-115
Austria (Telstra) +	0043-1000	France (Paris)	0033-1000	Korea (KOD) (English) +	0082-12	Russia (Moscow)	007-000-115
Bahamas	001-800-1000	Germany	0049-1000	Korea (KOD) (English) +	0082-12	Russia (Tel Aviv)	007-000-115
Bahamas (Telstra)	001-800-1000	Greece	0030-1000	Korea (KOD) (English) +	0082-12	Saint Helena	0029-000-115
Belize	00502-1000	Hungary	0036-1000	Korea (KOD) (English) +	0082-12	San Marino	00378-000-115
Bermuda	001-800-1000	India	0091-1000	Korea (KOD) (English) +	0082-12	Saudi Arabia	00966-000-115
Bolivia	00591-1000	Indonesia	0062-1000	Korea (KOD) (English) +	0082-12	Singapore	0065-000-115
Brazil	0055-1000	Ireland	00353-1000	Korea (KOD) (English) +	0082-12	South Africa	0027-000-115
British Virgin Is. 1	001-800-1000	Israel	00972-1000	Korea (KOD) (English) +	0082-12	Spain	0034-000-115
Bulgaria	00359-1000	Italy	0039-1000	Korea (KOD) (English) +	0082-12	Switzerland	0041-000-115
Canada	001-800-1000	Japan	0081-1000	Korea (KOD) (English) +	0082-12	Taiwan	00886-000-115
Chile	0056-1000	Japan (KOD) (English) +	0081-1000	Korea (KOD) (English) +	0082-12	Tanzania	00255-000-115
China (English) +	0086-1000	Japan (KOD) (English) +	0081-1000	Korea (KOD) (English) +	0082-12	Tel Aviv	00972-000-115
China (Mandarin) +	0086-1000	Japan (KOD) (English) +	0081-1000	Korea (KOD) (English) +	0082-12	Tel Aviv (Tel Aviv)	00972-000-115
Colombia (English)	0057-1000	Japan (KOD) (English) +	0081-1000	Korea (KOD) (English) +	0082-12	Tel Aviv (Tel Aviv)	00972-000-115
Colombia (Spanish)	0057-1000	Japan (KOD) (English) +	0081-1000	Korea (KOD) (English) +	0082-12	Tel Aviv (Tel Aviv)	00972-000-115
Costa Rica	00506-1000	Japan (KOD) (English) +	0081-1000	Korea (KOD) (English) +	0082-12	Tel Aviv (Tel Aviv)	00972-000-115
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Israel and Jordan Exchange Embassies

Latest Step Toward Peace Protested by Muslims in Amman

By Clyde Haberman
New York Times Service

JERUSALEM — Israel and Jordan exchanged embassies on Sunday, opening temporary embassies in each other's country and saying they would exchange ambassadors next month.

For the first time, an Israeli flag flew openly in the Jordanian capital of Amman, and in a separate ceremony held a few hours later the Jordanian flag was raised in Tel Aviv, where almost all foreign missions in Israel are located. Both embassies are in hotels for now, until permanent locations are found.

Israel has yet to name its ambassador to Jordan, which on Oct. 26 became the second Arab country, after Egypt, to sign a peace treaty with the Jewish state. Amman has appointed Marwan Muasher, a former spokesman for the Jordanian delegation to peace talks in Washington, as its ambassador,

but he will not begin his assignment for several more weeks.

Although relations between the former enemies seem to be progressing smoothly, their agreement to end a decades-long state of war still faces opposition — much more so in Jordan than in Israel, where peace with King Hussein enjoys a broad consensus.

Several hundred Islamic protesters, kept well away from the hotel housing the Israeli Embassy by scores of police officers, held a street demonstration in Amman to denounce what they called "a black day" that represented "a departure from the nation's principles."

As the Israelis strengthened their ties with Jordan, they struggled unsuccessfully for progress in their trouble-ridden negotiations with the Palestine Liberation Organization on expanding Palestinian self-rule throughout the West Bank, taking it beyond the Gaza Strip

and the West Bank district of Jericho.

After collecting their shared 1994 Nobel Peace Prize on Saturday, Israeli and Palestinian leaders turned from ceremonies in Oslo to the sober realities of how to move to the next stage. At its heart are Palestinian elections and a companion redeployment of Israeli forces in the West Bank. But while saying they still favor such elections, the Israelis are looking for a way to limit their troop movements to minimize security risks to the roughly 125,000 Jews settled in the West Bank.

The three Nobel winners — Prime Minister Yitzhak Rabin and Foreign Minister Shimon Peres of Israel and Yasser Arafat, the PLO chairman — discussed the matter in Oslo but reached no agreement. A senior Palestinian official, Ahmed Khoury, complained that Israel was "not serious" on the issue, but Mr. Rabin cautioned that

"shortcuts might lead to catastrophe."

Despite the familiar bickering, both sides seemed eager to settle the matter quickly and keep relations from deteriorating, and so they scheduled several meetings for later this week, both between Mr. Arafat and Mr. Peres and among lower-level officials.

In Israel and the predominantly Palestinian territories, the Oslo events received mixed reviews on Sunday. As before, many Israelis deplored the idea of their leaders' sharing an award with someone who has a terrorist past, and many Palestinians saw no reason to give peace prizes to Israel when they remain under military occupation. On both sides, commentators said that the absence of real peace made the Nobel ceremony premature.

But there was also praise, even from Israelis for Mr. Arafat, which is rare.



The Jordanian flag being raised Sunday next to Israel's at Jordan's embassy in Tel Aviv.

2 Senators Arrive in North Korea

SEOUL — Two U.S. senators arrived in North Korea on Sunday to discuss the nuclear accord reached between Washington and the North in October.

Paul Simon, a Democrat from Illinois, and Frank H. Murkowski, a Republican from Alaska who has criticized the accord, left by air from Beijing aboard a U.S. Air Force plane, the first American military aircraft to land in North Korea since the end of the 1950-53 Korean War, South Korea's Korean Broadcasting System reported.

North Korea's official Korean Central News Agency reported their arrival and said they were greeted by Song Ho Gyang, adviser to the foreign affairs committee of the Supreme People's Assembly, and other officials.

They are due to travel to Seoul on Monday for talks with South Korean officials.

The senators said before leaving Beijing their visit was aimed at improving relations between Washington and Pyongyang and finding ways to ensure the nuclear accord is faithfully implemented.

\$17.8 Million Lottery Won

LONDON — Britain's new national lottery, inaugurated less than a month ago, has its first big winner of a jackpot worth £17.8 million. The winner, who had not come forward Sunday since the draw on Saturday night, had all six winning numbers as well as the complementary number.

Q & A: Neo-Nazi Reconsiders

'Hell of Senseless Violence' Is Left Behind

Hingo Hasselback spent five years as a leader of the neo-Nazi youth movement in Berlin. Mr. Hasselback emerged from what he called the hell of senseless violence and hate in 1992 to write a confessional autobiography about his years as a neo-Nazi. He recently spoke with Ken Shuman for the International Herald Tribune in Rome.

Q. Why does a young German decide to become a Nazi?

A. In the East, we were brought up in a very repressive regime. My youth was lived in a series of radical choices, first as a hippy, then as a punk, and then, following a spiral of violence and hatred, as a neo-Nazi. We perceived the state as a sort of antagonist. And being Nazis was our way of showing that we were contrary to the state.

Q. Do you mean that your rebellion took you to embrace the symbols and ideology of a movement that was both illegal and taboo?

A. The fact that Nazism and its symbols were forbidden in East Germany had a very strong appeal for rightist youth. Dressing as Nazis, accepting their ideology, this was all a part of our declaration of independence. For East German youth, the Nazi paraphernalia and philosophy were extremely seductive.

Q. Why is the negation of the Holocaust so central to the neo-Nazi creed?

A. It is only by negating Auschwitz that we could legitimize our Nazi history, and propagate a vision of a Nazi utopia. Exposing the so-called "lie of Auschwitz" is fundamental to the revival of the Nazi party.

Q. Did you hate the foreigners living in East Germany?

A. We really had very little contact with them, as they lived more or less in ghettos. In a sense, we envied them, because they had passports and could leave the country, while we who were German citizens could not.

Q. Did you ever take part in a homicide, or in an attack on foreigners in Berlin?

A. Most of my activity was political, and consisted in propagating our views in the newspapers, and on television. In Berlin, our conflicts were with the leftist groups, and I was involved in some of these. It is fortunate that I did not participate in one of the actions that caused death. It would have been impossible for me to emerge from the movement after that.

Q. You had contacts with neo-Nazi movements in West Germany, in Canada, and in the United States. How do these movements differ?

A. For the Western Nazis, Adolf Hitler is still the charismatic party figure. And this determines their ideology. We were more interested in the social question, and in politics. In America, this idolization of Hitler is particularly strong. And I encountered a form of racism and hatred there that was even more profound than the one that I had known in Germany.

Q. How did you decide to leave the neo-Nazi movement?

A. In 1990, a German filmmaker named Winfried Bonengel asked me to be his protagonist in a documentary about the neo-Nazi movement. We spent a lot of time together, and he made me reflect on my actions and on my choices. The change came after the pogroms in Mölín and Rostock. I saw that the philosophy which I had been disseminating was responsible for the deaths of these people.

Q. Leaving the movement cannot have been too easy. It wasn't as if you were resigning from a country club.

A. It was very difficult. I had to devise an exit that would allow me no chance of turning back. This is why I chose to write my book. There is a very strong sense of loyalty within the movement, and I knew that to emerge, I had to betray that loyalty in a dramatic, public gesture.

New Delhi Rejects Demands for National Vote

Compiled by Our Staff From Dispatches

NEW DELHI — The governing Congress (I) Party on Sunday rejected opposition demands that India's prime minister resign and call a national election.

The demand came after the party lost three of four state elections last week, including one in Prime Minister P.V. Narasimha Rao's home state of Andhra Pradesh.

With ballot counting nearly complete Sunday, Mr. Rao's party was routed in Andhra

Pradesh and adjoining Karnataka state. It also lost the tiny Himalayan state of Sikkim, but won the southern state of Goa.

"There is no question of snap polls," said a Congress Party spokesman, V. N. Gadgil. "Where is the question of snap polls? The verdict is not against the federal government."

The state elections have no direct impact on the party's parliamentary majority in New Delhi. Pre-poll surveys showed that voters were swayed mostly by local issues and generally were not taking aim at Mr. Rao.

National elections are not due until 1996.

The centrist Janata Dal Party renewed its dominant position in Karnataka after a gap of five years. The new chief minister, H.D. Deve Gowda, said that he was not opposed to foreign investment in energy, tourism, telecommunications and urban development sectors.

Mr. Gowda's assurance came amid fears that the Congress Party's defeat could slow down India's three-year-old economic reform program.

Congress Party leaders met in New Delhi backed Mr. Rao. But news reports said the session was acrimonious.

Many Congress Party leaders attributed the drubbing in the elections to anger caused by the withdrawal of farm subsidies.

Swiss Avalanche Kills 4

APPENZEL, Switzerland — Four hikers died and two were injured in an avalanche on the 2,502-meter Säntis peak near here, police said Sunday.

Police in Berlin Detain 19 Youths At Rightist Rally

BERLIN — German police broke up a neo-Nazi rally in Berlin, detaining 19 youths and finding extremist propaganda and a weapon in subsequent raids, a police spokesman said Sunday.

The spokesman said the gathering, which took place Saturday and involved a total of about 35 rightists, apparently marked the second anniversary of a ban on the neo-Nazi German Alternative group.

The police in the Berlin suburb of Marzahn, meanwhile, said they arrested around 30 people after a crowd of militant leftists attacked and chased some extremist youths Saturday afternoon.

Germany saw a surge in neo-Nazi violence after unification in 1990.

The Bonn government has banned several groups over the past two years. Official figures show that the number of attacks has dropped slightly but, especially in the eastern part of the country, neo-Nazi violence persists.

A Former Top Minister In Germany in Hospital

HAMBURG — Germany's former "super minister," Karl Schiller, was in intensive care in a Hamburg hospital on Sunday. His family said that his condition was "serious but stable," and that he had been admitted to the hospital on Dec. 1.

The 83-year-old former Social Democrat was known as the super minister because he once held both the finance and economics portfolios at the same time, in the early 1970s.

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ALCANTARA	Textiles	Automotive interiors	1,200,000,000	René Benoit	Alcantara, Italy
ALFA ROMEO	Automotive	Automotive	1,500,000,000	Luigi Cordero di Montezemolo	Alfa Romeo, Italy
ALFA ROMEO FINANCIAL	Finance	Automotive financing	1,500,000,000	Luigi Cordero di Montezemolo	Alfa Romeo, Italy
ALFA ROMEO RACING	Sports	Automotive racing	1,500,000,000	Luigi Cordero di Montezemolo	Alfa Romeo, Italy
ALFA ROMEO TIRE	Automotive	Automotive tires	1,500,000,000	Luigi Cordero di Montezemolo	Alfa Romeo, Italy
ALFA ROMEO TRUCK	Automotive	Automotive trucks	1,500,000,000	Luigi Cordero di Montezemolo	Alfa Romeo, Italy
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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Rescue Mission in Bosnia

President Bill Clinton was right to resist earlier pressures to commit U.S. forces either to repel the Serbian aggressors or to serve as neutral peacekeepers. But he is now right to agree in principle to send substantial numbers of American troops should NATO be called upon to cover the withdrawal of United Nations forces. First, however, Mr. Clinton must get congressional approval; and Congress has an obligation to define strict time limits for any U.S. involvement and to insist on force levels that provide maximum protection to American and allied troops.

The United Nations has not yet decided to withdraw its soldiers, nor is any nation about to withdraw unilaterally. The Clinton administration hoped that its troop offer would encourage those countries that have been publicly contemplating withdrawal, chiefly France, to stick it out a little longer. The initial French reaction suggests that Washington has succeeded on that score.

But in truth, the United Nations presence has been a mixed blessing, hemmed in by its mandate of scrupulous neutrality. Recently the lightly armed UN forces have not even been able to protect themselves. In past weeks Serbian units have taken 300 of the blue helmets hostage, to use as pawns.

Under these circumstances, the United Nations and several countries with troops on the ground have asked NATO to draw up plans to provide military cover for their withdrawal. NATO, which acts only by consensus, could decline. But the majority of the 23,000 UN troops at risk come from France, Britain and seven other NATO countries.

For the United States to veto or stand aside from a NATO relief operation could inflict a mortal blow to the troubled alliance, still a key element of U.S. global security strategy. At the heart of NATO is a U.S. commitment to defend its European allies. Moreover, abandoning the surrounded troops would cripple the United Nations' ability to deploy troops in situations where America might otherwise have to be involved.

Bosnia's warring armies say they would not harass withdrawing UN troops. But the Bosnian Serbs' promise is unreliable. Serbian troops surround UN forces in many areas. The withdrawal could be a difficult operation. Before Mr. Clinton commits U.S. troops to such a risky mission, the U.S. Constitution and political sense oblige him to secure congressional support.

Republicans will reasonably insist that a withdrawal operation be under direct NATO command, unlike recent bombing operations that were under joint UN-NATO control. They would also do well to hold the administration to its word that any NATO intervention will employ overwhelming military force to deter potential problems from any Bosnian faction.

Since the United States is prepared to supply as many as 25,000 troops out of a NATO total of 50,000, Washington will have a chance to influence strategic planning. Bosnia's tragedy has brought no glory to anyone. But it need not end in the further disaster of United Nations military catastrophe and the breakdown of NATO, if President Clinton and Congress plan together.

—THE NEW YORK TIMES

The Miami Summit

At the center of the summit of 34 Western Hemisphere leaders that President Bill Clinton opened in Miami on Friday lies the purpose of advancing the economic integration and convergence of the Americas. It is the right purpose, and the right time to reach for it. The Cold War is over, and a new shared focus of hemispheric striving is due. The United States does not inspire the old fears of imperial overreach; Latin and Caribbean nations have more confidence in their capacity to bargain with their biggest neighbor. Successful consummation of a North American free trade area and U.S. congressional approval of the new world trade agreement have set the stage for extending free trade soon to Chile and by 2005 to the rest of the hemisphere.

The hemisphere is already on the way to forming assorted subregional trading blocs. The Clinton administration propelled the summit to expedite movement to a single universal bloc. Plenty of relevant experience has shown that there are measurable advantages in jobs, exports and wealth for countries that take the new path. Not that the path is cost- or friction-free. In the United States and elsewhere, labor, environmental and human rights groups and their political representatives insist that their claims be

heard by spokesmen of expanding investment and trade. Throughout the hemisphere, however, the forces of trade are ascendant. They can best consolidate their advantage by showing respect for interests on the other side.

Trade got the attention at Miami. Behind the economic agenda, however, rests a serious political purpose. It goes beyond the (irregular) boost that economic modernization can give to political modernization. The proposed Free Trade Area of the Americas is open only to democracies. That rule lets in some arguable cases (Peru) but emphatically excludes Communist Cuba, which finds itself fenced out of a historic post-Cold War project of hemispheric integration.

But the rule could yet be applied to countries that, in their unsteadiness, revert to an openly undemocratic style. In this way are the more or less freely elected governments of the Americas building in a ratchet against backsliding. The European common market had a similar device, which was applied to supply democratic incentives to then-military-run Spain, Portugal and Greece. Now the Western Hemisphere has its own quiet but potentially invaluable economic lever to ensure the deepening of democracy.

—THE WASHINGTON POST

Mischief Beyond the Pale

Surgeon General Joycelyn Elders was fired by President Bill Clinton on Friday more or less for doing what Mr. Clinton had advised she would when he brought her into his administration. The early word from Arkansas on Dr. Elders, after all, was that she was outspoken and a real shaker-up of establishments and a shaker of the meek and conventional, and wait until she took on the stuffed shirts of Washington. We recall all this merely by way of reminding you that the Clinton administration can hardly claim to have been astonished by the role she has intermittently played since she joined the administration.

We have expressed the opinion in the past that Dr. Elders was doing neither her causes nor her administration nor herself any good by what increasingly seemed to be careless provocation of various segments of the population and statements that simply could not be justified. She was gratuitously dismissive of educators and parents who questioned the distribution of condoms in the school. Her views on the legalization of drugs was the direct opposite of the administration's policy. Her remarks on religion — in particular directed at Catholics and what she called "the un-Christian religious right" — were intolerant. Her latest remark, agreeing with a questioner on the possible merit in the age of AIDS of teaching schoolchildren about masturbation, was, in the words of White House Chief of Staff Leon Panetta, "just one too many."

Dr. Elders came on the national scene

with a reputation for more than being controversial, confrontational and something of a crusader. As head of the Arkansas Health Department, she may have stepped on plenty of toes and made plenty of enemies. But she was also a doctor whose aim, she said, was to make "every child born in America a planned and wanted child." She confronted the important problem of teenage pregnancy, expressed determination to stop the spread of AIDS among young people, and seemed, at first, to be on the right track. But she just wouldn't stop popping off in headless fashion, almost as if she were looking for trouble.

We think the president was justified in asking her to leave. The surgeon general has to deal with extremely sensitive issues. What the president needs in that job is a doctor who is wise in handling these matters, inspires cooperation in this work and has the judgment to know when to speak out and when to play a supportive role. Dr. Elders evidently didn't see her mandate that way, but it is not clear that until last Friday the president she worked for did, either.

What remains unanswered and troubling in the way Joycelyn Elders's term as surgeon general has ended is why a president of the United States could not have made clearer earlier, at any of the many inflammatory opportunities she gave him along the way, what it was that he wanted in that office, what he didn't want, and what the limits he would accept were.

—THE WASHINGTON POST

U.S. Cover in Bosnia Will Have to Be War

By Jim Hoagland

WASHINGTON — The United States has little choice. It must say "yes" if its NATO allies ask American troops to cover their withdrawal from Bosnia. But the Clinton administration has great choice over how those troops will go in and how they will come out.

The president and his advisers must be clear with themselves, Congress, the American public and the warring parties on the

The strategic bombing campaign that hawks have long wanted becomes a real threat in these circumstances.

rules of engagement, before any U.S. troops are committed.

That means no more pretense and wishful thinking on Bosnia. The "peace strategy" that Secretary of State Warren Christopher says America pursues must be explicitly abandoned as allied withdrawal begins. Sending U.S. soldiers into the Balkans for this limited purpose must be treated as an act of war — with the Serbs as the identified enemy.

U.S. troops helping with a withdrawal must not go in as peacekeeping troops bound by the restrictions that apply to the United Nations force in Bosnia. They must not be used by the State Department as agents of diplomacy in the now vain hope of shaping a negotiated settlement. GIs will be in Bosnia to accomplish a limited mission and

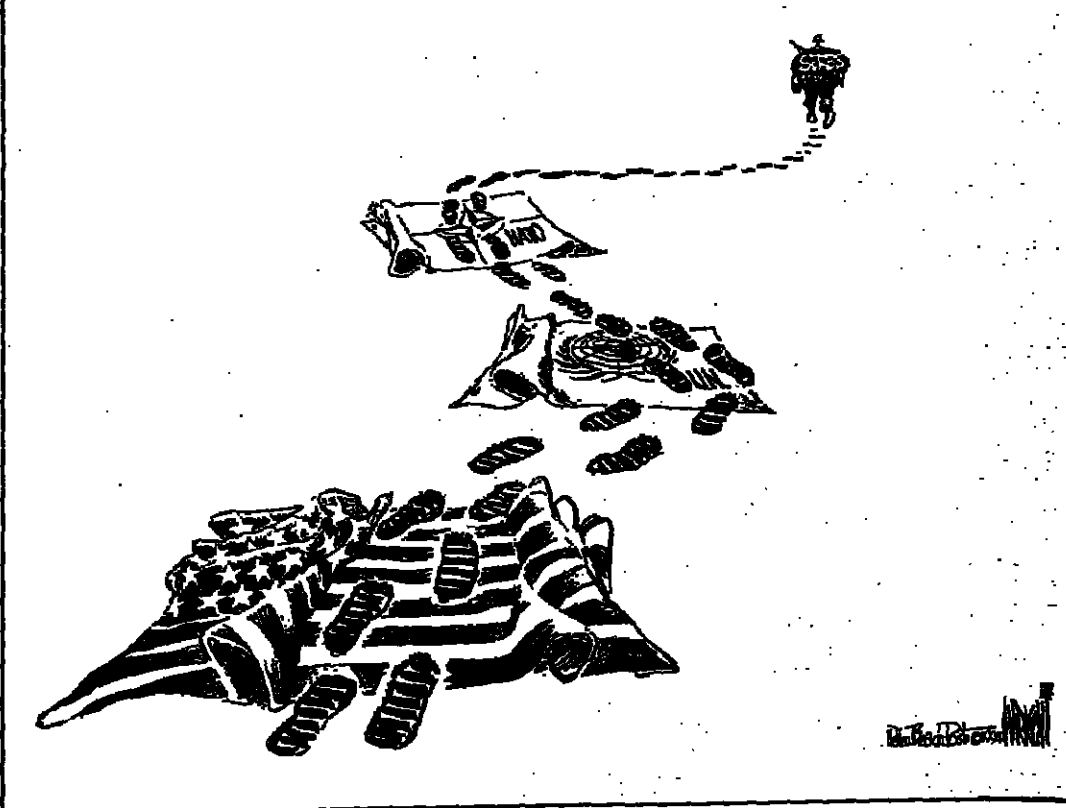
to kill anyone who opposes them in that effort.

President Bill Clinton bowed to the inevitable in announcing last Thursday that he had decided to send up to 25,000 U.S. troops to assist in the pullout of French, British and other NATO-country forces from the UN command in Bosnia if their withdrawal is ordered by their governments. To keep American troops out of the Bosnian retreat would have ended NATO and American military leadership globally.

Retreat is the most difficult strategic military maneuver to perform in the best of circumstances. It could be a hellish task for the fragmented United Nations force of 23,000 peacekeepers from 15 nations. American muscle must be deployed and unmistakably flexed to keep the Serbs — and the Muslims who benefit most from the UN presence — in line during a withdrawal.

The UN force has been a useful idiot for the Serbs, helping the British and French fend off American hawks who back strategic bombing campaigns and a lifting of the UN arms embargo. The Serbs will not want to see that protective screen dismantled. The interest of the Bosnian Muslim population in obstructing a UN withdrawal is even clearer. For all its weaknesses, the UN force has been feeding and protecting the populations of Sarajevo and other Muslim-controlled towns. The withdrawal will mean death for a large number of Muslims.

America must use a withdrawal strategy that will minimize the Muslim deaths and military losses that a UN pullout would



bring. That goal is morally and strategically in American national interests and justifies a war-fighting posture by the American troops who would be used there. Britain and France may not like this approach. But they would have to agree to these steps if they are the price for American protection for their troops.

To expedite the withdrawal and provide the Muslims with more protection, the departing European troops should leave their tanks and other equipment in Bosnian-held territory. This is the carrot for the Muslims to let the United Nations leave peacefully. If the pullout is obstructed by them, the international force will fight its way out with, and take or destroy, that equipment.

The U.S. strategic bombing campaign that hawks have long wanted becomes a real threat in

these circumstances. Belgrade and its Bosnian Serb allies have to be put on explicit notice that interference with an American-assisted withdrawal will trigger the obliteration of all Serbian military assets by the U.S. Air Force, with infrastructure targets held in reserve if the Serbs continue attacks on the retreating international force.

To be more succinct: If flattening Belgrade is what it takes to get Serbian acquiescence to a withdrawal that increases the Muslim war-fighting ability, flattening Belgrade would be justified in this context. Slobodan Milosevic needs to be told that, clearly.

The endgame of UN involvement in Bosnia also imposes a reality check on the administration's critics, led by Republican Senators Bob Dole and John McCain. Lifting the arms embar-

go, as they have advocated for months, does not end U.S. moral responsibility to Bosnia but engages that responsibility more deeply. The embargo hawks may shortly face the consequences of answered prayers.

It is possible to construct an American-led withdrawal strategy that holds NATO together, minimizes the Muslim suffering that would result from this action and causes all Serbs to think more seriously about the costs of continuing this war.

President Clinton should seek the help of Mr. Dole, Mr. McCain and other Republicans in designing and explaining such a strategy. And they should give that help. American policy on Bosnia has reached "the water's edge," where bipartisan agreement must be achieved and observed.

The Washington Post

To Combat Hate Broadcasts, Let's Try Propaganda for Peace

By Keith Spicer

OTTAWA — Hate campaigns on Serbian and Croatian television helped brew Bosnia's horrors. Hutu on Radio Mille Collines ordered half a million murders and a death march of 2 million Rwandans.

The United Nations staggers under an unpaid peacekeeping bill of nearly a billion dollars. Yet the instruments that keep running up the bill — military intervention, humanitarian aid, economic embargoes, diplomacy — all fail to end root conflicts.

Could the United Nations head off or stop ethnic wars by mobilizing airwaves that are too often used to set them off? Used against (and by) dictators and demagogues, broadcasts are subversive.

That is why Serbian aggressors put such a high priority on destroying or capturing Bosnian radio and television stations. And that is why the Hutu set up a mobile radio transmitter 24 hours after the United Nations stopped Radio Mille Collines. Unlike print media, both radio and television reach all social and cultural groups — especially the illiterate or poorly educated, whom dictators so easily manipulate.

Broadcasts can convey anti-racist facts and perspectives in the same powerful way that hate is peddled. They are fairly

inexpensive; they require only a modest amount of equipment and supplies, and only a few staff members. They are hard to silence. And they risk no lives, or very few.

How could the United Nations, and perhaps NATO and other regional security organizations, make electronic peacekeeping work?

Broadcasting can help stifle ethnic conflict before and during armed combat. Networks of "early warning" volunteers could advise the United Nations' 24-hour situation center of hate campaigns that preach violence. Such networks are already run informally by independent media groups.

The Security Council could order a new, well-equipped media section in its Department of Peacekeeping Operations to broadcast corrective news and views to places inundated with aggressive propaganda. At the heart of such an effort — call it propaganda for peace — should be a handful of experts in the use of the media for war and peace. They should be trained in politics, mass psychology and traditional and unconventional warfare.

If war broke out despite their efforts, the department would have standing au-

thority to ship transmitters and media experts to the region to fight back with facts and balanced comment.

In some situations, saving lives might temporarily demand jamming or incapacitating mass killers' transmitters. But the emphasis should always be on freedom: on countering evil voices, not silencing them.

At both stages, volunteers from the West's private media aid organizations — for example, Article 19 in Britain and Reporters Sans Frontières in France — could be enlisted to bring their beliefs, resources and specialties to help the United Nations.

Why hasn't the United Nations taken up information diplomacy as an obvious and routine peacekeeping instrument?

First, because some governments may still not believe that transmitters can save as many lives as soldiers or relief supplies. They ask: Isn't broadcasting some kind of public relations flim — like the UN Department of Public Information? The analogy is wrong. Public relations has nothing to do with peacekeeping.

Second, cynics argue that a few chummy broadcasts won't sway people with blood in their eyes. If so, why the dictators' frenzy to prevent any syllable of peaceful talk?

Third, some governments fear that invasion of so-called sovereign airwaves might one day be turned against them. That is why the West backed Serbia against free Bosnian journalists who tried to use unauthorized frequencies to broadcast factual peace propaganda on the "pirate" radio ship *Droit de Parole*. But shouldn't the frequency of death in wartime override such niceties?

Fourth, the United Nations' Legal Directorate, conservative as are all legal departments, sees no mandate for such untraditional roles. The Security Council should instruct UN lawyers to devise new theories, as they always can, to fit the needs of their political masters.

A few journalists may be skittish about anything that seems to involve the news media in public purposes. But we are not talking about corrupting the media. We are talking about using technology, a few volunteers and some vision — all at a pittance — to stop ethnic bloodbaths.

We are talking about using our heads to stop wars that always start, and end, in somebody's head.

The writer is chairman of the Canada's official Radio-Television and Telecommunications Commission. He contributed this comment to The New York Times.

In Japan, a Swing Toward Fellow Asians and Away From the West

By Paul Blustein

TOKYO — A new phrase is cropping up in Japan these days: "Datsu-Oh, Nyuu-Ah," meaning "Leave the West, Turn to Asia." The phrase comes up with unsettling frequency on television talk shows and in magazine articles and speeches. It reflects a growing belief among Japanese that their nation, a faithful disciple of the United States for the past five decades, should tilt more toward its Asian neighbors.

The words reverse a slogan popularized during Japan's mid-19th century modernization — "Datsu-Ah, Nyuu-Oh," or "Leave Asia, Turn to the West."

Manifestations of the trend are everywhere, from the rising popularity of Korean-language songs to the new wave of investment by Japanese companies in fast-growing China and Southeast Asia. "Japan Swings," declared a recent cover of *Nikkei Business* magazine, which showed a pendulum swaying away from the Stars and Stripes toward a Chinese flag symbolizing Asia.

Most striking of all is the surge of attention the Japanese are according to Malaysian Prime Minister Mahathir bin Mohamad, a nationalist who ridicules Western decadence and exhorts fellow Asians to confront the United States and Europe on issues such as human rights and trade.

Mr. Mahathir's face recently adorned the cover of the highbrow Tokyo weekly *Aera*, and Japanese have snapped up copies of "The Asia That Can Say No," a book published in October that Mr. Mahathir co-authored with Shintaro Ishihara, the right-wing legislator famous for his 1989 book "The Japan That Can Say No."

The new book argues that Japan should return to its Asian roots and join the East Asian Economic Caucus, an Asians-only club of countries proposed by Mr. Mahathir several years ago.

Americans have heard little about Mr. Mahathir, and it is high time they started paying attention. The Malaysian prime

minister, who loves jousting in public with Western leaders, represents a strain of resentment throughout the region against what many view as Washington's high-handed criticism of Asian economic and political practices, a resentment that has intensified as America's social and economic problems grow more evident.

So far, Mr. Mahathir's EAEC hasn't gone anywhere for lack of support from Tokyo. But last week the Keidanren, Japan's most influential big-business organization, disclosed that it is strongly considering an endorsement of Japanese participation. Japan's growing economic presence in Asia need not threaten U.S. interests. Tokyo's Asian economic links may actually benefit U.S. industry by spurring new markets for U.S. goods.

Nor is it bad for America that Japan is trying to play a bigger role in Asian political matters such as the Cambodian conflict. Indeed, Washington is actively encouraging Tokyo to help resolve such problems, and Japan's view usually turns out to resemble the U.S. position on regional issues.

But if Japan were to join a group like the EAEC, that would mark a serious escalation of its shift toward Asia.

Defenders insist that the group would be a mere forum for discussion, not a trade bloc. But it would substantially raise the risk of polarizing public opinion on both sides of the Pacific by creating the impression that Asian nations are coalescing along racial lines and ganging up on America.

Several factors lie behind Japan's new emphasis on Asia. Economic and social problems in the United States, plus the end of the Cold War, have raised questions in Japanese minds about U.S. willingness to continue its Asia-Pacific military presence, which allows Japan to remain pacifist and thus keeps the region stable. The rise of U.S. protectionism,

although episodic, has likewise stirred fears among the ever-sensitive Japanese that the United States is becoming a less reliable trading partner.

At the same time, nearby Asia has become an attractive place for Japan to hedge its bets — and Japanese companies are doing so without any need for prompting from their government.

Japanese investment in plant and equipment continues to increase in Asia while falling in the United States and elsewhere.

The government maintains that Japan can promote its Asian ties without damaging its links to the United States. "The zero-sum arguments urging Japan to determine which is more important to its interests, the United States or Asia, have no meaning," said Foreign Minister Yohei Kono in a recent speech.

Japan plainly has no interest in building a trade fortress in the Asian market, which for all its spectacular growth remains relatively modest in size. Nor is Japan doing so, despite all the idle talk of a self-sufficient "yen bloc" in the making. While Japan's investment in Asia may be rising, the United States remained by far the largest destination for Japanese spending on plant and equipment last year, with two-fifths of the total, compared with less than one-fifth for Asia.

Japan's export machine, meanwhile, remains heavily dependent on the United States. The share of Japan's exports going to the United States is still well above the 1980 level, when it stood at 24 percent. Most other East Asian countries likewise remain highly dependent on the U.S. market.

Asians love to boast about how they trade with each other more than ever, but much of this commerce consists of goods like fiber and chemicals being shipped from one Asian country to another for ultimate manufacturing into, say, a sweater sold at Macy's.

Although Japan indisputably overtook America as Asia's leading economic power during the late 1980s, when Japanese foreign aid and private investment poured into the region, Taiwan and South Korean investments provide an important counterweight to the Japanese presence.

According to the U.S. International Trade Commission, American exports to East Asia doubled, after several years of stagnation, during the same 1986-1991 period when Japanese companies were investing so heavily in Asia. That suggests that the Japanese money indirectly helped stoke demand for U.S. products in the region.

Still, all this plus-sum arithmetic might add up to something quite different if a Mahathir-style pan-Asian group were regularly thumbing its nose at the West.

Mr. Mahathir sugarcoats his EAEC (which would combine Japan, China, South Korea, Taiwan and Southeast Asia) as a "loose,

consultative" group that would observe all global trade rules. But the formation of such a group would surely boost the decibel level in trans-Pacific debates, and risk arousing protectionist and isolationist sentiment in America.

Because of Washington's objections to the EAEC, Tokyo has politely rejected Mr. Mahathir's entreaties by pretending that it doesn't understand what his group would do. But support for the idea is clearly growing in the Japanese establishment.

In the end, Japan's leadership will probably conclude that joining the EAEC makes little sense. Tokyo, after all, does not have to choose between Asia and America; APEC allows it to choose deeper ties with both. But the wellspring of support for Mr. Mahathir is a sobering sign.

The writer is Asian economics correspondent for The Washington Post, in which this appeared.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Autocratic Czar

PARIS — [The Herald says in an editorial:] Nicholas II is beginning to manifest his intentions on the subject of the internal policy of his Empire. He will remain an autocrat like his predecessors, and does not seem the least in the world inclined to introduce into Russia even a mitigated constitutional organism.

1919: Gallie Borrowings

PARIS — Strange differences of usage in the language which is termed "United States" or "King's English" have been noted by the French since the war has brought so many Americans and British subjects into France. The difficulties which result from the variations are frequently increased by the sense which the French themselves have imposed on words they have adopted from

foreign languages. The predilection for words ending in "ing" a syllable which is a shibboleth for a Gallic tongue, is a feature of the day in France: "Un dancing," a dancing-hall; "le footing," walking exercise; "un smoking," a Tuxedo; "un skating," a rink.

1944: German 'Snorts'

LONDON — [From our New York edition:] German submarines equipped with periscopes like airships that allow them to "breathe" have been reported. Called "schnorkel spirals" by the Germans, they are being termed "snorts" by the British. The air shaft is said to be divided into two sections, one for air intake, the other for exhaust gases. They permit recharging of batteries beneath the water, and the Germans assert they enable a submarine to remain under water from twenty to thirty days.

International Herald Tribune
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222 Belgium 7 04/20/99 97.4500 7.1800

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59 Germany 6 05/21/02 95.3467 7.0900

60 Germany 6 05/21/02 95.3467 7.0900

Rank	Name	Cm	Maturity	Price	Yield
77	Germany	8%	01/22/96	102.9750	8.6200
78	Germany	6%	05/20/96	98.2500	6.4900
79	Germany	6%	02/22/99	94.8300	5.7200
80	Germany	6%	01/22/97	102.7350	7.3500
81	Treasury	6%	09/24/96	95.6000	5.8800
82	Germany	6%	12/20/02	97.9433	7.2700
83	Germany	6%	01/22/97	102.4788	6.8900
84	Germany	6%	01/22/97	81.3333	2.7900
85	Germany	6%	08/21/00	105.6371	8.8500
86	Germany	6%	09/30/04	98.8000	4.9000
87	Germany	6%	05/21/01	104.8000	7.9900
88	Germany	6%	01/15/99	92.3567	5.3500
89	Germany	6%	05/02/02	102.2000	7.8200
90	Treasury	6%	06/25/96	97.3000	6.2900
91	Treasury	6%	01/20/95	100.1900	7.4900
92	Treasury	6%	03/26/96	97.6800	6.2700
93	Germany	7%	10/21/02	96.7400	7.4000
94	Germany	7%	11/21/96	101.2300	7.0400
95	Germany	8%	05/22/95	101.3700	8.2800
96	Germany	8%	12/02/99	102.7322	8.2800
97	Germany	8%	05/02/03	94.5225	7.1400
98	Germany	8%	05/22/00	106.6700	8.2000
99	Germany	6%	01/02/99	98.1250	6.4200
100	Germany	6%	05/20/97	99.3000	5.8000
101	KFW Int'l Fin	7%	10/04/04	101.3363	7.6500
102	Germany	6%	02/20/96	97.5500	6.1900
103	Germany	6%	01/11/95	95.8000	6.4500
104	Germany	6%	01/11/95	95.8000	6.4500
105	World Bank	7%	10/13/99	100.8800	7.2000
106	Bundesbank	zero	03/15/95	98.6400	4.8500
107	Bundesbank	zero	02/20/95	100.4200	7.7900
108	Bundesbank	zero	12/21/94	102.2400	8.5000
109	Sweden	zero	03/06/95	96.7071	5.8800
110	Germany	7%	01/20/00	100.7457	7.3000
111	Germany	7%	12/15/04	100.1600	7.4000
112	Germany	7%	01/20/95	100.7100	6.7000
113	Germany	7%	10/20/99	100.0000	7.0000
114	World Bank	5%	11/10/03	99.0000	6.6000

Rank	Name	Cm	Maturity	Price	Yield
115	Germany	7%	10/21/02	96.7400	7.4000
116	Germany	7%	11/21/96	101.2300	7.0400
117	Germany	8%	05/22/95	101.3700	8.2800
118	Germany	8%	12/02/99	102.7322	8.2800
119	Germany	8%	05/02/03	94.5225	7.1400
120	Germany	8%	05/22/00	106.6700	8.2000
121	Germany	6%	01/02/99	98.1250	6.4200
122	Germany	6%	05/20/97	99.3000	5.8000
123	KFW Int'l Fin	7%	10/04/04	101.3363	7.6500
124	Germany	6%	02/20/96	97.5500	6.1900
125	Germany	6%	01/11/95	95.8000	6.4500
126	Germany	6%	01/11/95	95.8000	6.4500
127	World Bank	7%	10/13/99	100.8800	7.2000
128	Bundesbank	zero	03/15/95	98.6400	4.8500
129	Bundesbank	zero	02/20/95	100.4200	7.7900
130	Bundesbank	zero	12/21/94	102.2400	8.5000
131	Sweden	zero	03/06/95	96.7071	5.8800
132	Germany	7%	01/20/00	100.7457	7.3000
133	Germany	7%	12/15/04	100.1600	7.4000
134	Germany	7%	01/20/95	100.7100	6.7000
135	Germany	7%	10/20/99	100.0000	7.0000
136	World Bank	5%	11/10/03	99.0000	6.6000

Rank	Name	Cm	Maturity	Price	Yield
137	Germany	7%	10/21/02	96.7400	7.4000
138	Germany	7%	11/21/96	101.2300	7.0400
139	Germany	8%	05/22/95	101.3700	8.2800
140	Germany	8%	12/02/99	102.7322	8.2800
141	Germany	8%	05/02/03	94.5225	7.1400
142	Germany	8%	05/22/00	106.6700	8.2000
143	Germany	6%	01/02/99	98.1250	6.4200
144	Germany	6%	05/20/97	99.3000	5.8000
145	KFW Int'l Fin	7%	10/04/04	101.3363	7.6500
146	Germany	6%	02/20/96	97.5500	6.1900
147	Germany	6%	01/11/95	95.8000	6.4500
148	Germany	6%	01/11/95	95.8000	6.4500
149	World Bank	7%	10/13/99	100.8800	7.2000
150	Bundesbank	zero	03/15/95	98.6400	4.8500
151	Bundesbank	zero	02/20/95	100.4200	7.7900
152	Bundesbank	zero	12/21/94	102.2400	8.5000
153	Sweden	zero	03/06/95	96.7071	5.8800
154	Germany	7%	01/20/00	100.7457	7.3000
155	Germany	7%	12/15/04	100.1600	7.4000
156	Germany	7%	01/20/95	100.7100	6.7000
157	Germany	7%	10/20/99	100.0000	7.0000
158	World Bank	5%	11/10/03	99.0000	6.6000

Rank	Name	Cm	Maturity	Price	Yield
159	Germany	7%	10/21/02	96.7400	7.4000
160	Germany	7%	11/21/96	101.2300	7.0400
161	Germany	8%	05/22/95	101.3700	8.2800
162	Germany	8%	12/02/99	102.7322	8.2800
163	Germany	8%	05/02/03	94.5225	7.1400
164	Germany	8%	05/22/00	106.6700	8.2000
165	Germany	6%	01/02/99	98.1250	6.4200
166	Germany	6%	05/20/97	99.3000	5.8000
167	KFW Int'l Fin	7%	10/04/04	101.3363	7.6500
168	Germany	6%	02/20/96	97.5500	6.1900
169	Germany	6%	01/11/95	95.8000	6.4500
170	Germany	6%	01/11/95	95.8000	6.4500
171	World Bank	7%	10/13/99	100.8800	7.2000
172	Bundesbank	zero	03/15/95	98.6400	4.8500
173	Bundesbank	zero	02/20/95	100.4200	7.7900
174	Bundesbank	zero	12/21/94	102.2400	8.5000
175	Sweden	zero	03/06/95	96.7071	5.8800
176	Germany	7%	01/20/00	100.7457	7.3000
177	Germany	7%	12/15/04	100.1600	

By Floyd Norris
New York Times Service

Magellan has moved to concentrate holdings.



By Steven Brill

"In terms of technology, there's no doubt that we'll catch up with Japan," said Cho Kwang Ho, the senior managing director of Goldstar Co. Ltd.'s LCD division. "The Japanese are afraid."

"As a new entrant we'll have to absorb some portion of the penetration price, but we won't be

See LCD. Page 13

By Kevin Murphy

As chairman of Taiwan Semiconductor Manufacturing Corporation, Wyse Technology Inc., a maker of personal computers, and Vanguard International Semiconductor Corp., Mr. Chang

"The industry should probably go upstream, building the key components. It's making good progress in integrated circuits and there are opportunities in display components, flat panels and CRTs. They'll be around for a long time."

See CHIP Page 13

Los Angeles Times Service

1 2 3

Agence France-Presse

Before buying plane tickets, the paper claimed.

Compiled by Our Staff From Dispatches

action issues, including environmental cooperation, measures against corruption, nar-

Gonzalo Sanchez de Lozada, announced that his country would host a November 1996 hemispheric meeting on "sustainable development," or the pursuit of economic develop-

© International Herald Tribune

By Mitchell Martin

CONSOL

TOSI

Agency	30-day	60-day	90-day	Canadian dollar	Swiss franc	Japanese yen
Parsons Sterling	1.591	1.593	1.591		99.90	99.56
Deutsche mark	1.576	1.578	1.576			
Swiss franc	1.3370	1.3345	1.3324			

Sources: ING Bank (Amsterdam); Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Citicorp (New York); Societe Generale (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto).

Technique

Stocks	Div	Yld	Sales		Low	Cse	Chge
			100s	High			

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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Kodak Corp	1.2	LA 6th	1.3
Kodak	1.2	LA 7th	1.3
Kodak	1.2	LA 8th	1.3
Kodak	1.2	LA 9th	1.3
Kodak	1.2	LA 10th	1.3
Kodak	1.2	LA 11th	1.3
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Kodak	1.2	LA 13th	1.3
Kodak	1.2	LA 14th	1.3
Kodak	1.2	LA 15th	1.3
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صیغہ اول

China Moves Secret Cold War Industries

By Patrick E. Tyler
New York Times Service

MIANYANG, China — Fearing nuclear attack from either the United States or the Soviet Union, China in the mid-1960s undertook what was perhaps the largest industrial relocation in history to protect its strategic facilities.

Now, more than 20 years after World War II failed to occur as Mao Zedong had predicted, some of the country's top scientists and engineers are still trickling down from production lines in remote mountains and caves to gleaming cities like this one in south-central China.

They are designing television sets, fax machines, satellite receivers and, perhaps, the battery system for the next electric car. They are also setting up factories and sending delegations to New York seeking investment capital for these high-technology ventures.

"You know, there are many things in common with the manufacture of bombs and in the manufacture of automobiles," said Zhu Senyuan, 48, a computer automation specialist at a military institute now helping 600 factories across China convert armaments lines to commercial production.

But many of the factories are outdated or redundant, and despite their relocation to cities on the plains, they are far from potential markets as China tries to restructure its economy.

Under Mao's policy, hundreds of key

industries were relocated in the 1960s and 1970s to remote canyons and caves in northwestern and southwestern China. The cost of the top-secret program was staggering. Barry Naughton, an economist at the University of California at San Diego, has estimated that during the peak years China was spending 40 percent to 50 percent of its national investment resources under the so-called Third Line policy, and that it had sent hundreds of thousands of workers to the mountains, where they chiseled out caverns and tunnels for railroads, transported machinery and erected assembly lines.

"It very substantially slowed down China's economic growth and on some levels contributed to the collapse of central planning," said Mr. Naughton, a specialist on China's economy who has conducted one of the few studies on the Third Line and its impact.

Beijing's central planners "got so tangled up in directing resources to these remote sites that they never could complete these projects or make them economically viable," he said during a recent visit to China.

By the time the Third Line was completed, Mao had died.

"The decision by Mao to build the Third Line was a big mistake," said Hua Di, a rocket scientist who spent months living in Third Line bases testing China's first strategic nuclear missiles. He now lives in California. "We have wasted a lot of money by building this Third Line," which, he added, gave China little additional security.

"If you have a rocket program, and a bomb or missile falls on just one of the many component factories, then you have no program," Mr. Hua said.

In its heyday, planners of the Third Line ordered steel mills, nuclear weapons plants and huge truck assembly lines, first built in coastal provinces or near borders with the Soviet Union, disassembled and transported over treacherous mountain roads or paths to what Mao thought would be an impenetrable "rear base," or "third line of defense" to sustain a Chinese war effort. The "first" line was China's coastal defenses; the "second" line was a fallback position on the central China plain.

The consequences of the program are still radiating into the present because the construction was so large in scale

and took so long, 15 years in some cases, that it left China with an uneconomical and inefficient industrial architecture. Today, the plants are still being dismantled, abandoned or turned to other uses.

"There is a major investment in this region," said Chen Zhixiang, deputy director of the Mianyang economic and planning commission, "but the problem is that the investment is spread out through canyons some distance from the city. Our production and research bases are located in the mountains and accessible only over very difficult roads."

Even Mianyang is difficult to reach. The 100 kilometers (60 miles) of winding two-lane road from Chengdu, the provincial capital, can take four hours.

Today, much of the burden of finding employment for the Third Line work force has fallen on the governments of inland provinces, whose economies are not as strong as those in the coastal belt.

Governor Xiao Yang of Sichuan Province said that while the prospects for the best of the Third Line factories were good, nothing seemed certain about the bulk of the rest.

"The state of the Third Line industries is that one-third of them are doing very well," he said, "but another third are just breaking even and the last third are in very bad shape."

With two-thirds of these industries at break-even levels or worse, their future very much depends on sustained high growth in China's economy.

The Week Ahead: World Economic Calendar, Dec. 12-16

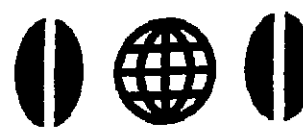
A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

Dec. 12 Sydney Australian retail sales figures for October. Forecast: 2.5 percent gain. Building starts for the July-September quarter. Expected sometime this week: Sydney Money supply figure for October. Dec. 13 Tokyo Machinery orders for October. Steel production during November. Bank of Japan to release wholesale price index for November. Wellington Reserve Bank of New Zealand to release interest rate on monetary policy. Food prices for November. Dec. 14 Hong Kong Government to auction two pieces of land in the New Territories area. Tokyo Bankruptcy during November released by Tokyo Shoko Research and Tokai Bank. Wellington Labor cost index for July-September quarter. Dec. 15 Sydney Westpac-Melbourne Institute leading economic index for October. Hong Kong Government to issue jobless figures for the three months from September through November. Tokyo Bank of Japan to release November money supply. Dec. 16 Tokyo Bank of Japan Governor Yasuo Mieno's five-year term ends. He will be replaced by Yasuo Mieno, executive adviser of Sakurai Bank.

Americas

Dec. 12 Washington Department of Agriculture expected to release information on world coffee production. Dec. 13 Washington November producer price index. November retail sales. New York Johnson Redbook research service releases its weekly survey of same-store sales at U.S. department, discount and chain stores. Dec. 14 Washington November consumer price index. The Federal Reserve reports November industrial production and capacity utilization. Third-quarter current account balance. The Labor Department reports November retail sales. Forecast: up 0.5 percent in year. Dec. 15 Washington November retail price index. Forecast: up 0.1 percent. October unemployment. Forecast: unchanged. Expected sometime this week: Paris October M3. Forecast: up 0.5 percent. Amsterdam November consumer price index. Forecast: up 2.8 percent in year. October producer price index. October retail sales volume. Frankfurt October retail sales. Forecast: down 0.8 percent. West German October retail sales. Forecast: up 0.5 percent in year. Rome October industrial production. Forecast: up 5.0 percent. Dec. 16 Buenos Aires Finance Minister Theodor Waelzel to present updated 1995 federal budget. London November retail price index. Forecast: down 0.1 percent, up 2.4 percent in year. November unemployment. Forecast: down by 30,000. November average earnings. Forecast: up 3.75 percent. Paris Current account. Forecast: up 2.2 billion francs. Dec. 18 Amsterdam Three-month unemployment. Forecast: down to 7.5 percent. Helsinki November consumer price index. Forecast: up 0.1 percent in month, up 2.1 percent in year. London November retail sales. Forecast: up 0.5 percent in month, up 3.1 percent in year.



For Brave Investor, Former Soviet Bank Debt Beckons

By Richard W. Stevenson
New York Times Service

NEW YORK — It is hardly for the faint of heart. But some traders say that the former Soviet Union's \$26 billion worth of commercial bank debt, which is trading on secondary markets for around 32 cents on the dollar, could prove a good bet for investors with the stomach to hold it for the long term.

The loans, one of several classes of Russian debt that are traded in Europe and the United States, have been a volatile investment for several years and the coming months could bring more of the same.

But if Russia, which has taken responsibility for the Soviet Union's debts, can finalize an agreement with its 600 commercial bank lenders to stretch out repayment, traders say the value of the debt, which is mainly bought and sold by institutional investors, could surge.

The value of the bank debt has swung in the past 12 months from a high of around 50 cents on the dollar down to half that and then back up above 40 cents in early October.

That was just before the Russian government announced an outline agreement with the bank consortium, led by Deutsche Bank AG, for a rescheduling package that included a \$500 million payment by Russia for past-due interest to be made by the end of this year.

But when the ruble crashed in October and the Russian government's economic policy threatened to run off course, the price of the debt began sinking again, a process that was accelerated when President Boris Yeltsin named Oleg D. Davydov as his new chief debt negotiator.

In his previous job as trade minister, Mr. Davydov horrified the debt holders by suggesting that Russia should seek to have

SHORT COVER

Investors Shun Oriental Offering

HONG KONG (Bloomberg) — Oriental Metals (Holdings) said Sunday that its initial offering of shares was only 59.24 percent subscribed, leaving the rest in the hands of underwriters.

The company is a subsidiary of ONFEM Holdings Ltd., an investment company controlled by the state-owned China National Nonferrous Metals Industry Corp.

Concerns about the impact that high inflation and austerity measures introduced to control it will have on corporate earnings have caused international investors to lose their interest in Chinese companies.

Kmart Ready to Cut Jobs

DETROIT (Bloomberg) — Kmart Corp. may announce as early as Monday the layoff of hundreds of workers at the company's headquarters in Troy, Michigan, the Detroit News reported.

The company confirmed that executives held meetings Saturday and Sunday to try to decide how to cut as much as \$600 million next year from Kmart's \$8.5 billion budget. Joseph Antonini, the chairman of Kmart, said last month that some jobs would be cut as the company eliminated redundant processes.

China Vows to Expand Trade Plan

BEIJING (AFP) — China, in a bid to increase its chances of joining the General Agreement on Tariffs and Trade this year, said Sunday it would expand bidding for export quotas to enhance trade transparency and fairness.

Tang Wei, an official with the Ministry of Foreign Trade and Economic Cooperation, said the bidding system, first introduced in February, "has reaped initial success in curbing free-wheeling price wars that often involve China in international dumping disputes," the China Daily's Business Weekly reported.

LCD: Goldstar Moves Into Market

Continued from Page 11

a cheap player," said one Goldstar manager.

Indeed, with the South Korean companies importing the vast majority of their production equipment and materials from Japan, there is virtually no chance of beating the Japanese on production cost. But they hope that strong demand for LCDs will minimize the discounts they must offer to win business from Apple Computer Inc., Compaq Computer Corp. and other major assemblers, mostly American, that they are courting.

The aggressive move into the market by the South Koreans could help to lower prices for notebook computers. The wholesale price for 10-inch (26-centimeter) color active-matrix screens will fall from about \$1,200 at the beginning of 1995 to \$900 by the end of the year, according to Shi Seung Woon, Samsung's senior sales manager for LCDs.

But it remains unknown how quickly the South Koreans will be able to increase their yields — the percentage of screens that come off the production line without any defects. In pilot production, executives say their yields are already comparable to the Japanese, but analysts say they may encounter unforeseen problems in mass production.

More daunting, there is the possibility that other types of color displays that are simpler and cheaper to produce will become dominant, making LCDs attractive only for the most expensive notebook computers.

Both Goldstar and Samsung are investing about 500 billion won (\$625 million) over several years to equip new LCD fabrication plants outside Seoul. Goldstar will make screens for notebook computers as well as smaller panels for car navigation, audio-visual and other equipment.

Samsung aims to concentrate on the top end of the market. It plans to mass-produce 10-inch screens next February and boost output to as many as 60,000 units a month by the end of the year. Later it will diversify into other types of screens, aiming to grab 10 percent of a global active-matrix LCD market it values at \$16 billion in the year 2000.

"We intend to be among the world's top 5 suppliers by the year 2000," Mr. Shi said. "Our minimum target for market share is 10 percent."

CHIP: Taiwan Gamble Pays Off

Continued from Page 11

Mr. Chang said. CRTs are cathode ray tubes.

Originally his job was to help steer a government-backed research and development effort toward commercial success. But seeing an enormous opportunity, Mr. Chang convinced the Taiwan government and Dutch electronics giant Philips Electronics NV to set up the world's first independent chip foundry.

"I knew what it took to do a fab well," said Mr. Chang, in the industry parlance for a chip-making factory. "And I thought Taiwan possessed many of those requirements."

In seven years, that business, TSMC, has grown and is forecast to make a 8.2 billion Taiwan dollar (\$311 million) profit this year and 13.3 billion Taiwan dollars in 1995, according to HG Asia Securities Taiwan Ltd. TSMC restricts its business to making mostly logic chips under contract to other companies.

World-class engineering, low salaries for highly trained technicians and economies of scale have combined to make TSMC the largest "pure foundry" business in the world with an estimated 12.6 percent global market share.

"Taiwan Semiconductor represents an unparalleled corporate success story," said Jonathan Ross, head of HG Asia Taiwan, of a business started with a \$40 million initial investment that has allowed Taiwanese chip design houses to lessen their dependence on foreign manufacturers.

To remain ahead of the pack, TSMC will spend between \$300 and \$500 million a year over the next three years in a bid to double capacity.

With still more expansion in mind, TSMC has taken a 25 percent stake in another ITRI spin-off, Taiwan Sub-Micron Laboratories, the country's most advanced semiconductor facility.

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FED: Inflation Data Pose Threat

Continued from Page 10

cent recovery, and data for October showed a \$10-billion increase in foreign bond purchases, suggesting that capital has again started to flow out of Japan.

But Jim O'Neill at Swiss Bank Corp. in London, warns that the report is "highly misleading" because it includes Japanese purchases of Euroyen bonds. "Japanese investors remain remarkably loath to take any foreign exchange risk," he insists.

Even Japanese bankers, who were lead managers in \$850 million of the \$2.3 billion worth of

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Tenders must be received before 14:00 p.m. January 20, 1995

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COMING TO TERMS WITH ECONOMIC REALITY

Despite criticism, Saudi Arabia maintains its economic strength.

Significant changes are taking place in both the public and private sectors as the government, strapped for cash over the past two years, tries to come to terms with its present economic position.

The situation is a result of several factors: the Gulf War's exceptional costs, an estimated \$77 billion, of which more than half was paid by Saudi Arabia; a slump in world oil prices; and an expected overall aggregate current-account deficit in 1991-1996 of \$96 billion, according to International Monetary Fund estimates.

The situation is exacerbated by the substantial defense spending in the past four years, amounting to well over \$30 billion, much of it linked to offset programs with the United States, Britain and France. Over the past four years, the kingdom has gone to the international banking system to borrow a total of \$7 billion. Banking sources suggest further borrowings may be needed in the short term.

Responding to criticism

International criticism of Saudi Arabia's overall economic position following visits by International Monetary Fund teams and U.S. Treasury Secretary Lloyd Bentsen have been pushed aside by King Fahd, Ibn Abdul-Aziz, the Custodian of the Two Holy Mosques and ruler of Saudi Arabia.

In a recent broadcast, he insisted that the economy was still strong and that he would keep his pledge to privatize important state-owned sectors. "There have been a lot of harmful campaigns against our economy," he said. "But thank God, our economy is still strong, and we do not have major problems. We have and are still spending billions of dollars in subsidies to housing and farming and in loans and grants to Arab and other countries."

Role for private sector

For the past decade, the government has been urging the private sector to play a greater role in the development of the kingdom, particularly in the public sector. Saudi Arabia is now the world's largest oil producer. With production of more than 8 million barrels a day, it has overtaken the former Soviet Union oil producers. Oil revenues are expected to fall to about \$38 billion this year. While bankers may be expressing doubts about the kingdom's current financial position, most analysts point out that it has to be remembered that

Saudi Arabia holds more than 25 percent of all global oil reserves.

Attempts to diversify the economy, increase the added value of downstream petrochemical products and improve the manufacturing and agricultural export base are now bearing results. Non-oil exports have risen from \$6 billion in 1987 to \$8.4 billion in 1992, according to an analysis by the Abu Dhabi-based Arab Monetary Fund.

Moves to attract capital

Earlier this year, King Fahd told a Riyadh University graduation audience that the private sector now contributed 35 percent of the kingdom's gross domestic product. "The government intends to attract national capital into its productive institutions," King Fahd added.

He envisaged a move that would enable private investors to buy into certain state entities, in which the government would retain only a minority interest.

A package of new incentives for private investors has been announced in the forthcoming Five-Year Plan in order to attract a greater return of capital invested overseas. The plan is also seeking more foreign investment, in the form of both cash and transfer of technology. It has always been an objective of the offset programs to encourage defense contractors to provide the basis for new high-tech industries.

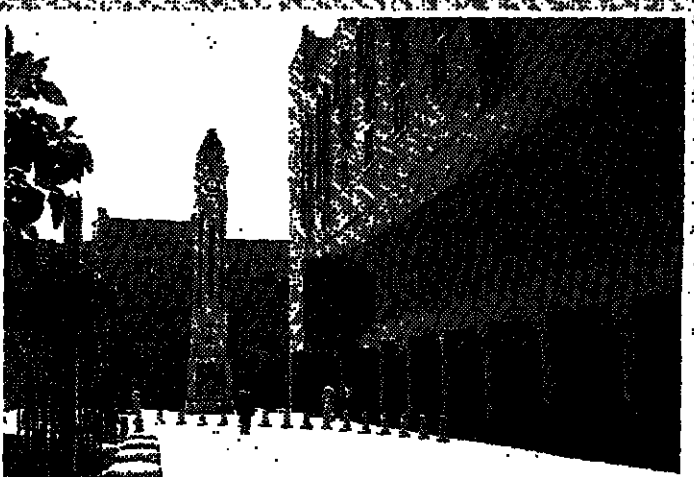
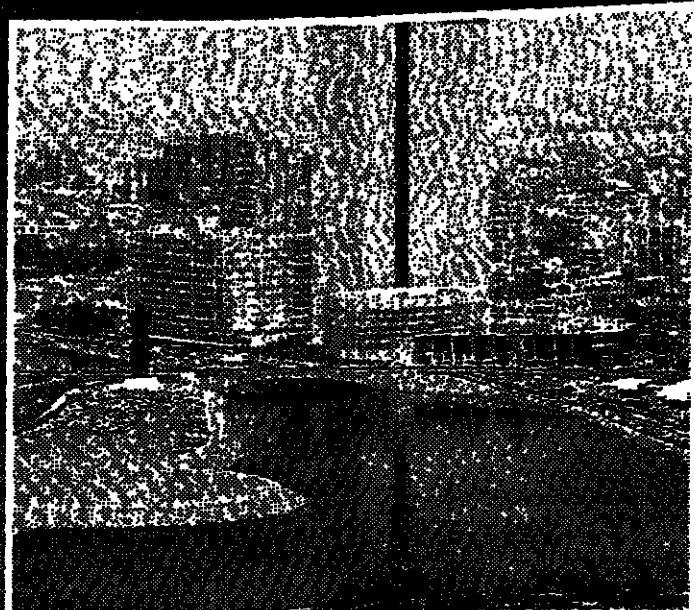
'Massive excess liquidity'

While public finances may be in disarray, there is no shortage of private funds in the banking system. Henry Azzam, chief economist of the National Commercial Bank, said at the IHT Oil and Money Conference in London last October: "There is massive excess liquidity in the Saudi financial system. Most of it ends up in interbank deposits overseas. These funds can be absorbed in the kingdom and used by the private sector — and the government, to finance its deficit." Other bankers in the kingdom suggest that excess liquidity amounts to around \$30 billion to \$40 billion. According to the Saudi Arabian Monetary Agency (SAMA), total bank deposits at the end of 1993 stood at 183 million riyals (\$49 million), compared with 143 million riyals at the end of 1990.

Lack of suitable financial instru-

Continued on page 15

PRIVATIZATION INDUSTRY EXPORTS



From the National Commercial Bank center in downtown Jeddah (top) to a truck-production line and a new pedestrian district in Riyadh (bottom), the kingdom offers evidence of a vigorous and diversified economy.

THE ONGOING DEBATE OVER PRIVATIZATION

Will Saudia, Sabic and other state entities soon open to private investment?

Continued diversification of the kingdom's economy and greater involvement by the private sector are priorities in the sixth Five-Year Plan (1995-2000), which takes effect next January. Although weaker oil prices have accelerated moves to sell off some state entities, some confusion still exists over which companies or industries will be available for private investment.

"We will sell some successful government projects to nationals," said King Fahd in a Middle East Broadcasting Center television interview this summer. "It is time for the citizens to participate in some projects like telecommunications, water, electricity and other sectors."

Giant state entities

The government has also stated that public bodies for privatization might include Saudia, the national carrier, and some of the electricity-generating companies.

There is uncertainty about whether the giant state entity, Saudi Basic Industries Corporation, will be open to private investment; Sabic has 18 world-class plants, mainly in the petrochemical sector.

Any investment in Saudia, which has one of the world's biggest jet fleets and is about to undergo a major fleet renewal, would most likely be limited to nationals of Saudi Arabia and possibly Gulf Cooperation Council country nationals.

Some analysts believe it might be possible that some utility services, like water and power, may be let on a build-operate-and-transfer system if any improvements or extensions are made under the new Five-Year Plan. An ideal candidate for BOT would be AT&T's \$4 billion nationwide telecommunications project.

Mixed messages

There have been many mixed signals this year about the extent and implementation of privatization and exactly how it will be carried out.

Abdel-Aziz Al-Zamil, Saudi Arabia's minister of industry and electricity

as well as chairman of Sabic, said that the government would not necessarily maintain a stake in the petrochemical sector, but final decisions were still awaited.

The new plan, which calls for more private investment, does not exclude foreign sources. There will, however, probably be restrictions on full foreign ownership, especially in what are regarded as strategic industries — aviation, oil and petrochemicals, power generation and the media. The preferred option would be for more joint ventures between the foreign and local investor or investors.

Targeting flight capital

The current debate within government circles is exactly how the kingdom can attract the billions of dollars of flight capital back into Saudi Arabia by introducing the new incentives.

"There is no doubt that all these measures by the government will open up a vast scope for foreign investors to enter joint projects within the private sector," comments a recent study by the Arab Corporation for Investment Guarantee, which is based in Kuwait. According to ACIG, total foreign investment in the kingdom at the end of last year was \$6.3 billion in 360 joint ventures, which had a total capitalization of \$14.74 billion. The joint-venture companies also included banks.

Private-sector investment

"I expect privatization to be successful, given the high liquidity in the local market and the huge resources of the private sector internally and abroad," says Yusuf Khalifa, an economics professor at Emirates University in the United Arab Emirates.

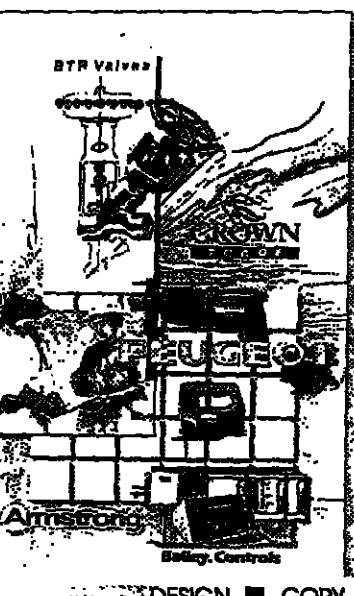
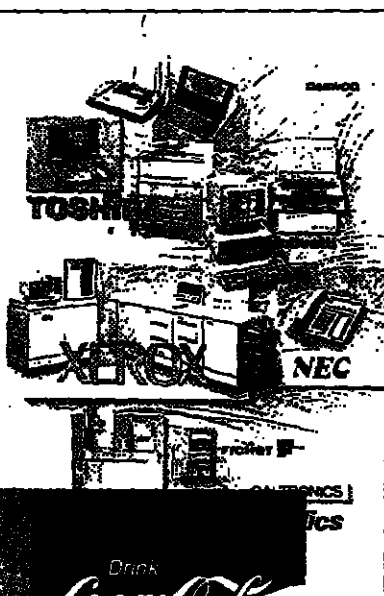
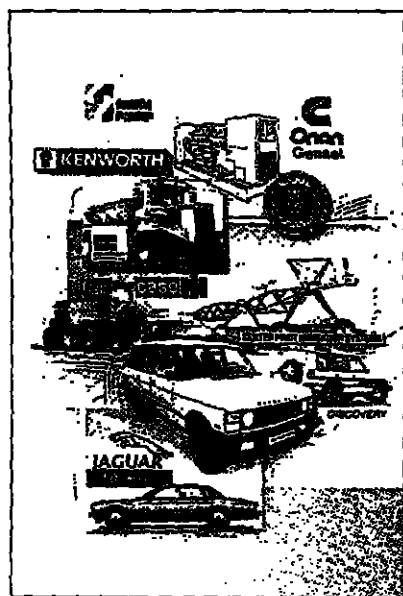
"This will open the door for the establishment of new companies, which will attract national and foreign investment," he adds.

One caveat highlighted by ACIG, however, is the ruling that Saudis must maintain a 51 percent holding, which it says has dissuaded potential major investors from the United States, Japan and other industrial powers.

L.V.

"SAUDI ARABIA"

was produced in its entirety by the Advertising Department of the International Herald Tribune.
WRITERS: John Roberts is based in Scotland. Lee Voysey is based in London.
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SAUDI ARABIA

OFFSET PROGRAMS GAIN GROUND

Progress is made on the three main offset programs.

In addition to advances in the main offset programs — involving the United States, Britain and France — there are further possible developments in counter-trade as Saudi Arabia, with its finances under pressure, explores various options to meet projected aircraft and defense deals. Offset and counter-trade agreements have resulted in facilities and equipment such as giant underground oil-storage tanks blasted out of solid rock, new jetliners, a pharmaceutical factory, a sugar refinery, the manufacture of avionics components and telecommunications equipment. Approximately \$5 million a day, raised from part of the British offset program, is going toward rebuilding and developing the Two Holy Mosques at Makkah and Medina.

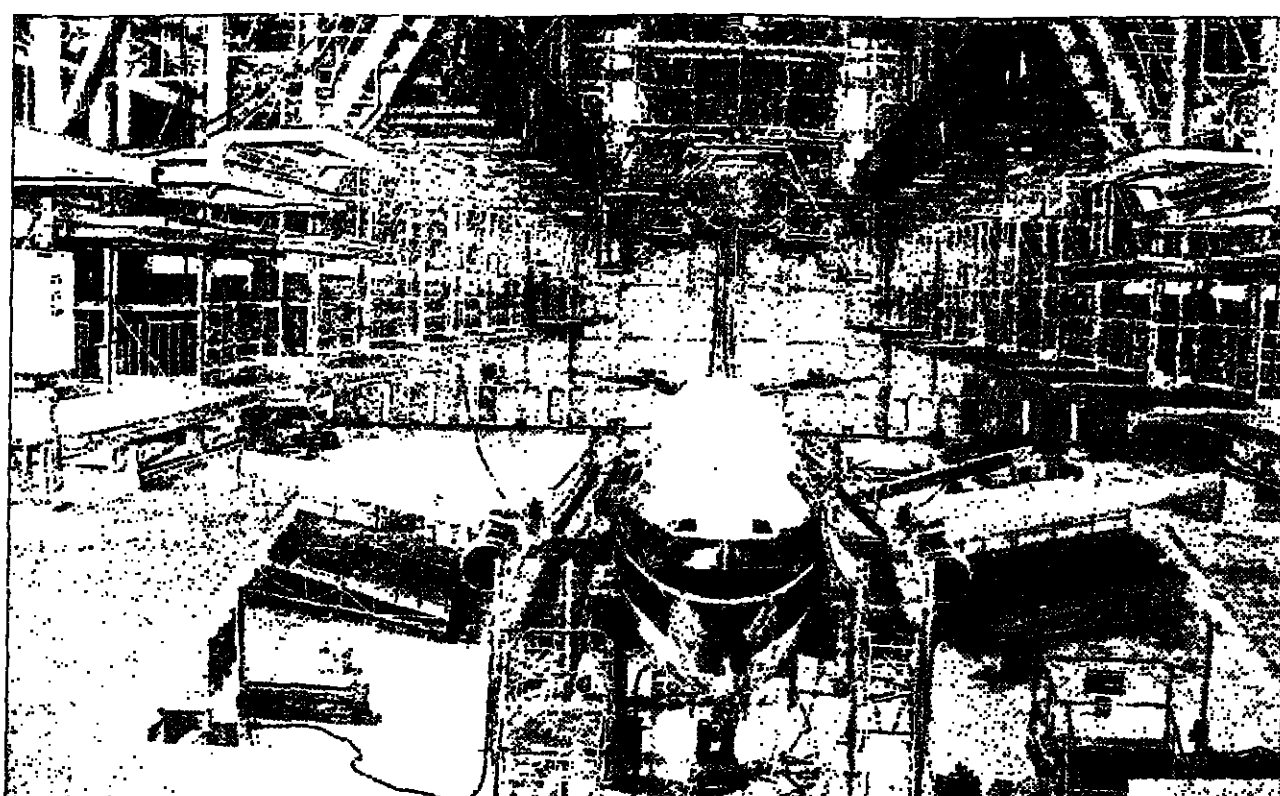
Oil swaps
Swapping oil for goods and services is not new to the kingdom. In 1984, an agreement was made for a swap of oil for 10 Boeing 747s, and this idea was later extended to defense contracts. Industry sources suggest that the same principle may be extended to current negotia-

tions over the purchase of up to 80 jetliners from Boeing and McDonnell Douglas to re-equip Saudia's fleet.

An important change is that civil contractors with major orders (such as AT&T's \$4 billion telecommunications project) are now encouraged to provide offset programs. So far, this is not mandatory for the civil sector, as it has in the United Arab Emirates for contracts worth over \$10 million.

Surveying the field
Under the original \$4 billion U.S. Peaceshield defense program, contractors had to reinvest 35 percent of the contract value in the kingdom in the form of new joint ventures and transfer of technology. Since 1990, U.S. defense sales have climbed to \$30 billion, about the same as the United States' own defense budget.

The terms of Britain's Al-Yamamah program were different, as the agreement was signed on a "best-efforts" basis to reinvest 25 percent of an ongoing program worth many billions of dollars. The French Sawari 11 program, which calls for a 35 percent reinvestment, has lagged behind the U.S.



A Saudia 737 undergoing maintenance at Al Salam Aircraft Company's facility at Riyadh. ASAC is part of the U.S. Peaceshield program.

and British programs. After lapsing, it has just been revised following the November agreement for a \$3.6 billion deal to supply two air-defense frigates, shore bases and training programs. Thomson-CSF and the Saudi group Shairco are involved in a \$48 million gold-refining project of old mine tailings.

Hundreds of proposals have been examined by the British Offset Office. Less

than two dozen have formal approval, and only four have started. The most outstanding one is a joint venture by Glaxo, one of the world's largest pharmaceutical companies, whose new factory at Jeddah is about to go into production. Booker Tate and Savola, a Jeddah-based edible-oil-processing company, are building a sugar refinery; British Aerospace and Kanoo have set up the Saudi Development and Training

Center. BAe has a shareholding in the Aircraft Accessories and Components Company. Rolls-Royce, General Electric and Pratt & Whitney have joined with Saudia to set up the Middle East Propulsion Company, which is now going ahead after several years' delay. In 1991, Hughes Aircraft Systems took over from Boeing to finish the Peaceshield T1 project. Its offset proposals include

manufacturing satellite-communications systems, auto parts and advanced software development.

The first civil offset program is being proposed by AT&T, which is interested in high-tech joint ventures and training programs with at least three leading Saudi companies — Advanced Electronics Co., International Systems Engineering and the Saudi Cable Company. L.V.

DIVERSIFYING THE ECONOMY

The kingdom focuses on non-oil exports.

"A country with a diversified economy is a stronger economy. Our industrial objective is to expand and diversify the production base, develop non-oil income sources and give the kingdom a greater degree of self-sufficiency," Abdul-Aziz Al-Zamil, minister of industry and electricity, declared to a group of investors in London.

During a visit to Japan last month, he carried proposals for more than 30 joint ventures and urged the Japanese private sector to provide more investment and technical assistance.

Diverse range of exports

While self-sufficiency was the primary objective, the emphasis today is on developing more non-oil exports. There is now a wide range of products, including downstream petrochemicals, derivatives and semi-manufactures, building iron, tiles and other ceramics, electric cables, pharmaceuticals and medical supplies, cans and bottles, air-conditioners, machinery and electrical appliances, processed foods and edible oils, flowers, fruit and vegetables, chickens, eggs and dairy products.

at the end of 1992 there were 445 companies in the kingdom, whose annual exports totaled more than \$2 billion. Total industrial-production sales amounted to \$10 billion.

Manufacturing up by 10%
Henry Azzam, chief economist of the National Commercial Bank, says that manufacturing, which accounts for 7 percent of Saudi Arabia's gross domestic product, grew by 10 percent in 1993.

This growth in manufacturing was a consequence of a sharp rise in the Saudi Basic Industries Corporation's production, to 14 million metric tons.

Sabic is the largest single non-oil exporter in Saudi Arabia. For the first nine months of this year, sales revenues rose to \$2.6 billion, from \$1.9 billion last year. It exports mainly petrochemicals to more than 76 countries.

Positive outlook for 1994
Mr. Azzam believes there is a positive outlook for manufacturing. He is confident that export-oriented companies will have done quite well by the end of the year.

"Petrochemicals, plastics, cables and metal products will have benefited from better growth prospects in the major export markets of the world," he says.

On the domestic side, Mr. Azzam adds, several industries were benefiting from a surge in consumer demand. These industrial sectors include food and beverages, which account for 17 percent of the total number of Saudi factories (2,036). Furniture and light consumer products were also doing well.

L.V.

COMING TO TERMS WITH REALITY

Continued from page 14

ments has led to considerable interest in Saudi Arabia's stock market, which has seen some frenetic activity in the past two years following a number of flotations and new issues. These have been oversubscribed many times. In the case of Saudi British Bank, the offer was oversubscribed 26 times.

Saudi Arabia has a population of some 12.6 million

(exact figures vary as details of the official 1992 census have not been published). About 60 percent of the inhabitants are under the age of 17. Combined with a very high population growth rate of 3.7 percent, job creation has become a major factor in determining economic and social policies. About 100,000 Saudis enter the job market annually.

In addition, many highly skilled and educated young Saudis are being tempted

away from "safe" jobs in government service (by far the biggest employer) into the expanding private sector, which offers better career prospects and higher salaries.

This year has seen some \$10 billion worth of new contracts between the kingdom and three U.S. companies — Boeing and McDonnell Douglas (\$6 billion) and AT&T (\$4 billion) — for new jetliners and internal telecommunications. These

orders reaffirm the Kingdom's commitment to its biggest trading partner, even if the question of payments has yet to be finalized. In the final analysis, however, big oil does mean big money.

"Every country has its ups and downs, and we are no different," says a leading Saudi oil man. "We just have to come to terms with reality and forget the boom days of the late 1970s."

Lee Voysey

SAUDI ARABIA: CURRENT AND CAPITAL ACCOUNT FORECAST, 1994-96

(\$ million)	1994	1995	1996
Exports	41,553	47,144	49,189
Imports	25,625	27,893	29,356
Trade balance	15,927	19,251	19,833
Net Services	-13,922	-15,974	-16,285
Transfers	-9,000	-8,800	-8,300
Current Account	-7,000	-5,500	-4,750

Sources: Saudi & Foreign, for Petroleum Ministry, Riyadh, U.S. August 1994.

Wheat harvest down
Until this year, wheat, which is heavily subsidized, had been an important export. The harvest this past season, however, is estimated to be 1.8 million metric tons, only sufficient to meet domestic demand.

A company formed recently under the U.S. offset program, Advanced Electronics Co. of Riyadh, is even manufacturing and exporting digital components for the Lockheed F-16 Fighting Falcon jets.

According to Mr. Zamil,

We're proud to be a part of Saudi Arabia's digital vision of the 21st century.

The Saudi Arabian government and the Ministry of Post, Telegraph and Telephone recently commissioned AT&T and Bell Laboratories to implement a world-class digital communications network.

As it is phased in over the next seven years, this network will add new communications capabilities geared for success in the 21st century, vastly enhancing Saudi Arabia's existing, highly advanced system with 1.5 million next-generation digital lines and 200,000 GSM (cellular) lines.

In fact, new switching, transmission, outside plant, operational support systems and mobile telephones will virtually double the capacity of the Kingdom's current communications network.

Which means that twice as many people in Saudi Arabia will be able to do all those things that only advanced data communications can empower them to do. So they can work faster, smarter and more cost-efficiently than ever before.

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S A U D I A R A B I A

SAUDI ARAMCO TARGETS CAPACITY AND QUALITY

The world's largest oil company produces 8.1 million barrels a day, and 75 percent of the kingdom has yet to be explored.

Industry sources report that Saudi Aramco's maximum sustainable crude-oil output capacity is now just over 10 million barrels a day. To keep within the guidelines of the Organization of Petroleum Exporting Countries,

however, the average daily crude-oil output for the first nine months of the year was 8.1 million barrels a day.

Belt tightening
Saudi Aramco, now the world's largest oil company, is the result of a merger in June 1993 with Samarec, the marketing and refining organization. Developments are ahead of schedule, but some projects — notably the upgrading of the major export refinery at Ras Tanura — have been scaled back or postponed due to the belt-tightening of the overall economy.

\$15 billion slated

The original capital-expenditure program before last year's merger was about \$40 billion. This has been slashed to \$15 billion pending a complete reevaluation of the program.

Nevertheless, prospecting and development work on new fields in the central region and southeast are continuing as more than 75 percent of the kingdom has not yet been explored.

In the export field, Saudi

Aramco is trying to capitalize on the growing demand from the Far East. Asia and Australia now account for 52 percent of crude exports; North America accounts for 24 percent and Europe, 20 percent. The remainder goes to South America and Africa.

In recent years, Saudi Aramco has been trying to develop a more integrated system for crude oil and gas supplies and refining by establishing or buying into overseas downstream operations. These include a presence in the United States, Western Europe and East Asia.

Its objective is to increase refining capacity and quality of wellhead production to within its own capability either at home or abroad. Current domestic refining capacity is 1.7 million barrels a day, including 30,000 barrels a day from the Arabian Oil Company's refinery in the neutral zone shared with Kuwait.

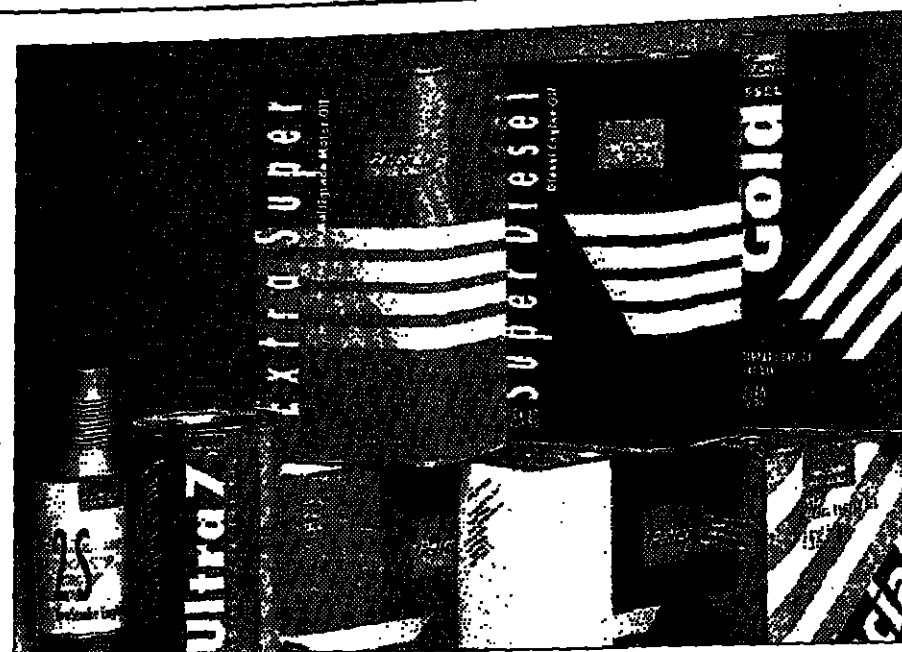
David and Goliath
One of the most interesting developments in the past

few years has been the growth of the private sector in oil exploration and downstream activities — a David and Goliath situation. The most active company is Nimir Petroleum Corporation; its principal shareholder is the Bin Mahfouz family, which has the controlling interest in National Commercial Bank. Last year, Nimir was successfully pumping small quantities of crude from a Yemen concession, which it won in the face of stiff international competition from 12 other groups in 1991. Nimir is also active in Romania, Malta and the Russian North Pacific.

Another Jeddah-based company, Meridian International (Khalid Alireza and a U.S. group) has attempted to begin operations in some of the Central Asian Republics, formerly part of the Soviet Union.

In the summer of 1992, Meridian proposed a \$20 million investment to develop oil resources with Uzbekneft in a counter-trade venture.

L.V.



PETROLUBE AWARDED ISO 9002 CERTIFICATE

"Many challenges, but even more achievements," says Petrolube's chief.

Commenting on some of the changes and developments taking place in Saudi industries, HE Ahmed M. Alkhereiji — chairman, president and chief executive officer of Petrolube — says that more and more companies in the kingdom are now pursuing the need for quality rather than quantity as consumers become more demanding and the market more competitive.

Established 26 years ago, Petrolube has now become the first Saudi Arabian company to be awarded the International Standards Organization's ISO 9002 certificate on its first attempt. The award was for its three lube oil plants and the company's sales offices throughout the kingdom.

Aiming for perfection

"From the very beginning, we set ourselves many goals, and we strive for perfection in everything we do," says Mr. Alkhereiji. Being awarded the ISO certificate, he adds, was "the latest achievement in reaching the goals we had set."

Petrolube is a joint-venture company between Petromin (71 percent) and Mobil (29 percent). It has a designed blending capacity at its three plants of more than 6 million barrels a year. Petrolube's blending plants were one of the kingdom's first downstream sectors. They

now provide the kingdom with two-thirds of its lubricating and grease requirements, which are marketed under the Petromin Oils brand name. Petrolube also produces products for other multinational oil brands, which are marketed in Saudi Arabia in healthy competition with Petromin Oils.

More than 30 countries

Over the years, Petrolube has built a reputation for providing quality products. Faced with saturation of the domestic market, it began looking outside the kingdom for export opportunities in the late 1980s. Today, Petrolube exports to more than 30 countries and has overseas blending operations in Egypt, Rotterdam, Pakistan and Malaysia.

Last year, a Petrolube sister company, the Petromin Lubricating Oil Refining Company (Luberef), produced 1.9 million barrels of base oils. Another 300,000 barrels of oils were imported, making a total of 2.3 million barrels for domestic consumption. Total production was divided between Petrolube (1.2 million barrels), a Shell joint-venture blending plant (700,000 barrels a year) and the local and privately owned Gulf Oil Trading Company's Yanbu refinery (400,000 barrels).

L.V.



Sabic's Sadaf ethylene plant, one of the largest ethylene projects in the world.

INDUSTRIAL JEWEL: SAUDI BASIC INDUSTRIES CORP.

Thanks to increased production and marketing, Sabic's profits rose by 76 percent in the first nine months of this year.

The jewel in the crown of the kingdom's industrial development is the Saudi Basic Industries Corporation, which may be open to increased private investment from home — and abroad.

Last September, Abdul-Aziz Al Zamil, minister of industry and electricity and Sabic chairman, made it clear that the government would not insist on being involved in any future petrochemical-plant investments, provided the new company bought its raw materials locally. But he also said that

Sabic would continue to invest in new petrochemical projects or in the expansion of existing ones. By the end of next year, it is expected to raise \$4 billion to finance new expansion plans.

At the end of the first nine months of this year, Sabic's profits jumped 76 percent, to \$622 million, compared with the same period in 1993. Last year, annual profits amounted to \$564.4 million. Total production increased by 9 percent, to 17 million metric tons. Production for the first nine months

of this year was 14 million metric tons.

Supplies at short notice

Commenting on the dramatic improvement in Sabic's performance this year, Ibrahim A. Ibn Salamah, vice chairman and managing director, says: "The trend of declining profits in recent years is now being reversed." He attributed this to the rise in production and marketing, with a gradual but steady recovery of prices in the global petrochemicals market. Sabic sells its prod-

ucts to more than 70 countries; it has 15 marketing offices and storage facilities worldwide. This enables it to supply basic chemical raw materials to its customers at very short notice.

Sabic's manufacturing hub is the industrial city of Jubail, where 12 of its 15 plants are based, including a steelworks. A 13th plant is nearing completion. The corporation is one of the only petrochemical groups in the world to manufacture all five basic thermoplastics. It also has investments in

two petrochemical plants in Bahrain, whose products it now markets, and the Aluminium Bahrain smelter.

Last year, it paid its shareholders 1 billion riyals (\$267 million) in dividends. At present, Saudi nationals and GCC citizens own 30 percent of the shareholding; the rest is held by the government. Following various (and at times conflicting) announcements, there has been speculation that 75 percent of the share capital will be open to private investment.

L.V.

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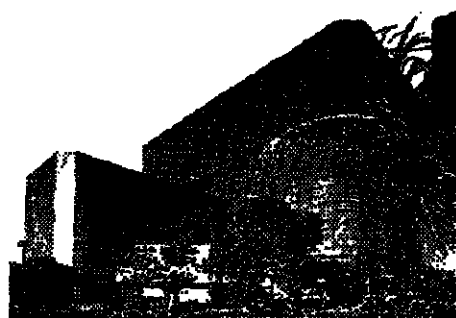
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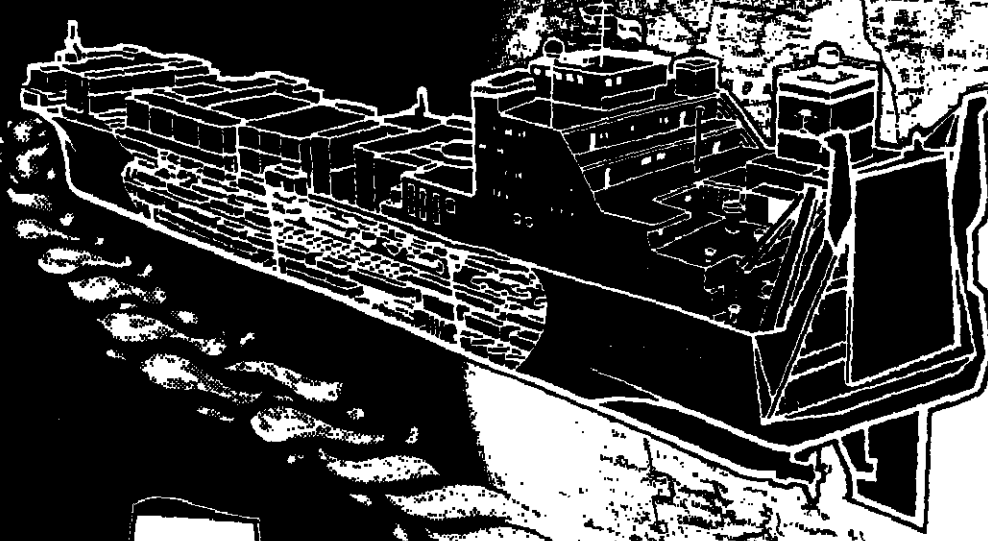
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PIONEERS IN PRIVATE SECTOR

E.A. Juffali & Brothers, founded in 1946, is now an industrial giant.

Wherever you go in Saudi Arabia, even to the most remote part of the Empty Quarter, you are bound to come across a Mercedes truck. The name is synonymous with E.A. Juffali & Brothers, one of the largest importers of Mercedes trucks in the world.

The company was founded in 1946 by the late Ahmed Juffali, whose brainchild was a joint venture with Mercedes-Benz AG called the National Automobile Industry.

This company has been assembling Mercedes commercial vehicles since 1977. It was one of the earliest manufacturing joint ventures in the kingdom. Juffali became a pioneer in developing the private sector, and the company has become

one of the largest industrial conglomerates in the Arab world. Its interests extend to the power industry, telecommunications, cement, manufacturing, air-conditioning, chemicals and a wide range of engineering and distribution services.

One of the latest Juffali projects is a joint venture with Dow Chemical for the production of latex for Saudi Arabia and other Middle East markets.

Most of the group's activities are carried out through wholly owned subsidiaries and joint ventures with names such as Siemens, Carrier, Electrolux, Fluor, Du Pont, L.M. Ericsson and many others.

Ahmed Juffali was a legend among business executives all over the Arab

world. He had a natural gift for farsightedness and for identifying business opportunities and then pursuing them relentlessly. He possessed those special leadership qualities that attracted total commitment and loyalty among his staff. People mattered to him more than anything else.

E.A. Juffali & Brothers was one of the first private companies to establish an "in-house" technical training center for the long-term development of human resources.

Today, the Juffali Training Center in Jeddah turns out hundreds of technically skilled young Saudis each year, an appropriate reminder of Ahmed Juffali's perception of the needs of the kingdom. L.V.



Students under instruction at the Juffali Training Center in Jeddah.

TANKER FLEET WILL BE AMONG LARGEST

The kingdom's 30 very large crude-oil carriers will be capable of carrying 50 percent of its daily oil production of more than 8 million barrels, and they will be part of one of the world's biggest tanker fleets. Twenty-five of the VLCCs will be owned by Saudi Aramco through its wholly owned subsidiary Vela Marine International, and five have been ordered from the National Shipping Company of Saudi Arabia. The combined fleets of VMI, NSCSA and National Chemical Carriers (80 percent owned by NSCSA) now total about 70 vessels, including more than a dozen special petrochemical vessels.

Last year, NSCSA ordered five VLCCs of 300,000 deadweight each for a total of \$400 million.

NCC is due to take delivery today of the first of three 37,000-deadweight special chemical carriers costing \$225 million. The vessel, built by Kvaerner Govan Ltd. of Glasgow, is named NCC Riyadh.

Japan's Mitsubishi Heavy Industries, which has the order for the five VLCCs, is building an innovative design for the 300,000-deadweight crude-oil carriers. The vessels will have a double hull, which extends around the fuel tank structure; this should lessen any spillage if there is a grounding accident or collision. Each VLCC will be able to carry 2.1 million barrels of oil or petroleum products.

NSCSA, whose top management is all Saudi, is currently evaluating a number of new transportation concepts for the future. This includes a new design for Ro-Ro vessels. These will be used to replace the existing fleet of eight vessels by the end of the decade. L.V.

BANKING SECTOR RECORDS HEALTHY INCREASE IN PROFITS

Saudi banking boomed in the wake of the Gulf War, and must banks are well placed to cope with the more difficult conditions this year.

Saudi banks' profits soared after the Gulf War, and many banks took advantage of strong conditions to increase their capital. Most notably, the National Commercial Bank in late 1993 and early 1994 published results for most of its "missing years," showing that it was returning to profitability and that it possessed a capital ratio of around 14 percent (using the risk-weighted system), compared with the 8 percent standard recommended by the Bank of International Settlements.

Last of problem banks
In September, the last of the kingdom's potentially problem banks, Bank Al-Jazira, declared an operating loss of \$6 million amid anticipation that it would be able to secure an operating profit on its 1994 activities. Bank Al-Jazira, however, typified current caution in Saudi banking circles by setting aside some \$14.1 million in provisions against loans and

investments. Loan-loss provisions in previous years were minimal, and provisions for investments were modest, with the bank's last significant total provisions figure amounting to just \$5.5 million in 1989.

Two major players in the Saudi market, Saudi American and Arab National, increased their provisions during the first nine months of 1994. While Saudi American, along with the United Saudi Commercial Bank and the Saudi Investment Bank, was still able to report increased profits in the first three-quarters of the year, five other banks have had to settle for reduced earnings.

In most cases, these downturns are comparatively modest and can simply be seen as a reflection of the downturn in the Saudi economy during the course of the year.

Interbank placements
One significant trend this year has been reduced inter-

bank placements, a consequence of increased local lending, not least to the government. As of the end of September, four banks — USCB, Saudi Hollandi, Saudi Fransi and SIB — were in breach of the Saudi Monetary Authority's guideline that the ratio of loans to customer deposits should not exceed 60 percent. Although SIB had the highest ratio (84.3 percent), this was at least down from the 89.8 percent ratio it recorded in the same period last year.

The peculiar circumstances concerning NCB and Bank Al-Jazira make it sensible to exclude them when considering overall bank performance in 1993. The country's other 10 commercial banks saw their profits rise a healthy 25.8 percent, from \$979.1 million in 1992 to \$1.23 billion in 1993. All 10 banks recorded a steady increase in their assets, loans and advances in the three-year period following the Gulf War.

With net profits also rising steadily from 1991 to 1993, the banks found themselves well-placed to cope with more difficult conditions in 1994. The first quarter of the year saw most banks securing a continued increase in profits, but the second quarter witnessed the first signs of retrenchment. Several reasons have been cited, including a fall in public-sector activity as a result of the government's declared intention to cut 1994 spending by 20 percent.

Spending cuts
Perhaps the most pressing question in late 1994 is whether the spending cuts will prompt a significant increase in bad debts and a consequent requirement for provisioning.

The banks' position reflects the dominance of the public sector in the Saudi economy.

Henry Azzam, the chief economist of the National Commercial Bank, noted in

July that lending to the private sector remained firm, however. Indeed, in the first six months of the year, Saudi American's private-sector lending was 25 percent higher than in the first half of 1993.

With the private sector continuing to grow, there will thus continue to be scope for considerable bank lending. It should also be noted, however, that some private companies will be requiring funds not for productive investment, but as bridging loans pending payment for public-sector contracts.

As for NCB itself, the reorganization was epitomized by the appointment in April 1993 of former Citibank Chief Michael Callen as senior advisor to the chairman. His charge was to reform the bank, and concrete results are beginning to show. Financial statements for 1991, 1992 and 1993 show the bank's assets falling in 1992 and then recovering modestly in 1993.

John Roberts

NEW INSTRUMENTS FOR INVESTORS

Islamic banking and finance have undergone a major expansion, with new instruments offered to investors. The basic principle is that under Islamic law, interest is forbidden. The Jeddah-based Dallah Al-Baraka Group has set up two investment groups — Al Tawfeek Co. for Investment Funds (ATCIF), registered in the Cayman Islands in 1992, and Al-Amin Co. for Securities and Investment Funds (ACSIF), registered in Bahrain in 1992.

The two companies work together as TWA, which has been pioneering research and development of new financial products for investment on a global scale. "Our long-term aim is not only to match, but also to create alternative model financial packages, which offer superior alternatives to conventional interest-bearing systems," says a TWA director in Jeddah. TWA very quickly raised more than \$1.8 billion; this has been placed in 10 wide-ranging specialized funds and issues, which TWA manages on behalf of its investors around the world.

Its major investments by country include the United States (19 percent), Turkey (14 percent), Saudi Arabia and Algeria (12 percent), and Morocco (9 percent). Dallah Al-Baraka Group has a balance sheet of well over \$6 billion and shareholders' equity of more than \$1 billion. L.V.

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SPONSORED SECTION

S A U D I A R A B I A

MAJOR NEW DEVELOPMENTS ARE UP IN THE AIR

Saudia, the kingdom's national carrier, seems set for major fleet renewal, and it is a likely candidate for privatization.

Saudia's new Director-General Khaled Abdullah bin-Bakr entered office in 1994 facing dramatic changes in the airline's circumstances. In February, a draft agreement was reached with the United States for the purchase of some \$6.2 billion worth of Boeing and McDonnell Douglas airliners. In June, King Fahd himself declared that the airline was a candidate for privatization.

As of late November, the Boeing-McDonnell Douglas order had yet to be ratified, although both U.S. plane makers were already assigning production lines to fill the giant order. With the arrival of the new aircraft — a mix of long-haul 747s (for direct service between Riyadh and the Americas) and a variety of medium- and long-haul aircraft (to serve closer markets) — as many as 70 of the kingdom's current fleet could be replaced or reassigned to new duties.

The deal is expected to include 29 Boeing 747s, five Boeing 737s and 12 of the new Boeing 777s. In addition, Saudia is purchasing 15 McDonnell Douglas MD-11s, many of which are expected to be used as part of the Royal Flight. The order was won against intense competition from Europe's Airbus Industrie and required considerable salesmanship from U.S. corporate and government officials, including President Bill Clinton himself.

Bulk to United States
Although the bulk of the order will go to the United States, Britain's Rolls-Royce is to supply many of the engines. Saudi joint ventures with European companies, as well as those with American companies, are expected to compete vigorously for key contracts to build giant new hangars to

house the kingdom's long-haul fleet at Riyadh, Jeddah, Dhahran and Dammam.

Financially, the most important component in the deal was the willingness of the U.S. Eximbank to provide massive export credits; these could cover as much as 85 percent of the contract value for a deal that is likely to prove crucial to the commercial prospects of McDonnell Douglas.

In Riyadh, the government has sought to insulate Saudia from the wave of spending cuts triggered by the 1994 budget by increasing the airline's own budget

by 6.6 percent, to \$2.2 billion.

Pros and cons

On June 3, King Fahd gave the royal imprimatur to a policy of privatization during a major television interview. There was a need, he said, for a larger private sector in several areas of the economy, including oil, airlines, gold mining and other key industries. Saudia was specified as a target for at least partial privatization.

Privatization, however, is not expected to take place in the next year or two. The kingdom is still feeling its

way in this complex field. Moreover, Saudia plays a vital social role, with its low-cost internal flights substituting for services that in other countries would be provided by ground transport. Careful financial arrangements are therefore required to ensure that potentially profitable international services effectively subsidize domestic routes.

Privatization should help speed up the process of "Saudization." The airline has had considerable success in training local flight crews, which now account for around three-quarters of to-

tal flight staff. Cabin crew, however, continue to be largely hired in Europe; in 1994, some 35 stewardesses from Scotland were hired.

In the kingdom, the new aircraft will be serving some of the world's most advanced airports, including the new King Fahd international airport at Dhahran, which is capable of handling 4 million passengers a year, and a new \$2 billion airport at Dammam. At present, several of the kingdom's North American services require refueling stops at Shannon in Ireland.

J.R.



Satellite installed by AT&T on top of the King Fahd Specialist Hospital and Research Center.

BUSINESS BRIEFS

U.S. Chemical Group
One of the kingdom's largest petrochemical companies, U.S. Chemical Group, has begun an \$11-million project to build a new refinery in the Eastern Province. Due to be completed in 1996, the plant will have an annual capacity of 1.2 million cases, which will be used for Coca-Cola and other soft drinks.

One of the biggest exporters in the food sector is Al-Hajj Co. for Industries & Trading, which makes fruit juices. It is the 30th largest company in the kingdom, with sales of \$300,000. It also has two factories making cans for food and industrial containers as well as corrugated cartons for farm produce and eggs.

A 100 percent Saudi-owned pharmaceutical factory is under construction in Riyadh for Al-Hajj Medical Company. Walid Amin Kayyal, managing director, hopes that the factory will come on-stream toward the end of 1996.

The factory, which will have a production area of 7,000 square meters (75,000 square feet), is being built with international know-how from many pharmaceutical companies in the United States, Europe and the Far East.

Al-Hajj has licensing agreements with many foreign companies, including Janssen (Denmark), Smith & Nephew (Britain) and Solvay Duphar (Netherlands).

senior Clinton administration officials lobbied long and hard, was won against stiff opposition from such companies as Canada's Northern Telecom and Sweden's LM Ericsson. Two factors in particular helped AT&T secure the job. One was its stress on technology transfer and the training of Saudi managers and telecommunications professionals; the other was its willingness to develop an economic offset program. With the White House known to be seeking to secure the deal for U.S. companies, these factors proved sufficiently enticing for the kingdom to pass up at least one proposal that, one of AT&T's rivals asserted, was considerably lower in price.

Leading role in telecoms
AT&T believes that the implementation of the TEP-6 project will guarantee that the Kingdom of Saudi Arabia will continue to preserve its leading role in telecommunications in the world, with an advanced network designed for graceful evolu-

tion, allowing uniform access and architectural freedom," says Mart van der Gucht, vice president in charge of the project. As part of the giant deal, AT&T will also install 200,000 mobile lines. AT&T is expected to introduce a system based on digital technology, although this will entail complex frequency reallocations.

Wanted: mobile phones
Factors fueling the demand for increased lines include not only the fact that the kingdom has one of the fastest-growing population rates in the world, but also the recent expansion of the oil industry, which has boosted demand for mobile-phone systems. One of the greatest areas for growth is likely to be in paging services. The Saudi PTT introduced a public radio-paging service in Riyadh in 1991; subsequently expanding it to serve 120,000 customers throughout the country. The system comprises three GL 3000 paging-terminal control cen-

J.R.

AT&T WINS \$4 BILLION TELECOM DEAL

Telecommunications has long been accorded an extremely high priority in Saudi Arabia.

In May 1994, the U.S. AT&T won the giant \$4.08 billion Sixth Telecommunications Expansion Project (TEP-6) to supply 1.5 million new lines, taking capacity to around 4 million lines, and to provide and install an integrated digitally based telephone network for the kingdom.

At present, the Saudi PTT is in the last stages of a previous expansion, designed to raise total capacity from 1.5 million lines in 1990 to 2.5 million lines by the end of 1995.

International standards
The new AT&T contract is intended to ensure that the kingdom's telecommunications are brought into line with global Integrated Services Digital Network standards. The deal is likely to yield considerable spin-offs for ancillary services as Saudis and Saudi-based expatriates boost demand for mobile phones, pagers, fax machines and modems as well as regular phone services. The contract, for which

senior Clinton administration officials lobbied long and hard, was won against stiff opposition from such companies as Canada's Northern Telecom and Sweden's LM Ericsson. Two factors in particular helped AT&T secure the job. One was its stress on technology transfer and the training of Saudi managers and telecommunications professionals; the other was its willingness to develop an economic offset program. With the White House known to be seeking to secure the deal for U.S. companies, these factors proved sufficiently enticing for the kingdom to pass up at least one proposal that, one of AT&T's rivals asserted, was considerably lower in price.

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ters — located in Riyadh, Dammam and Jeddah — and 41 Datacast high-power radio transmitters throughout the kingdom. But demand is so great that, as with mobile phones, constant expansion of pager services will be required. Although Saudi policy has long been to promote the PTT paging service and to prevent the setting up of private systems, some major companies such as Saudi Aramco do possess their own private paging systems. The expectation was that these would be phased out in favor of the new PTT service, but the government's recent emphasis on privatizing aspects of Saudi telecommunications would seem to indicate there is a future for private paging systems in the kingdom. As a direct result of the 1994 budget, one area that will be handed over to the private sector is pay telephones. The PTT believes the kingdom needs some 43,000 pay phones, but at the start of 1994 it had only 8,000.

J.R.

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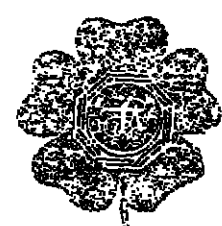
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SIDELINES

Foreman to Defend Titles in April

NEW YORK (AP)—George Foreman will defend his IBF and WBA heavyweight championships in April at the Louisiana Superdome, according to the promoter Bob Arum.

Appearing on CBS Television's *Eye on Sports*, Arum said Saturday that an opponent for Foreman would be selected within the next 10 days. Foreman, 45, won the titles when he knocked out Michael Moorer on Nov. 5, 20 years after losing his title to Muhammad Ali.

- In championship fights this weekend:
 - Julio César Chávez of Mexico retained his WBC super lightweight title in Monterrey, Mexico, when the referee stopped the fight in the 10th round with Tony Lopez of the United States bleeding over both eyes.
 - Jorge Castro of Argentina, battered and bloodied, retained his WBA middleweight title in Monterrey with a ninth-round knockout of John David Jackson of the United States.
 - Olizubek Nazarov of Kyrgyzstan retained his WBA lightweight title by knocking out Jory Gamache of the United States in the second round in Portland, Maine.
 - Oscar De La Hoya retained his WBO lightweight title in Los Angeles when his fight against fellow American Johnny Avila was stopped in the ninth round.

over, Italy, 1:22.88; 5, Kyle Rasmussen, U.S., 1:22.89; 6, Luca Cordero, Italy, 1:22.90.

Overall World Cup standings (after three races): 1, Alberto Tomba, Italy, 3:51 points; 2, Michael von Sivers, Switzerland, 125; 3, Kjetil André Aamodt, Norway, 104; 4, Achim Löffelholz, Germany, 101; 5, Patrick Crotti, Austria, 100; 7, Torbjørn Raae, Norway, 85; 8, Bo (The) Michael Trisacher, Austria, 82; 9, Luc Allet, France, 61; (10) Thomas Funke, Sweden, 61.

FOOTBALL

NFL Standings

(Through Saturday's games)

AMERICAN CONFERENCE

East	West	L	T	Pts	PFF	PFA
Miami	1	5	0	515	317	244
Buffalo	1	7	4	511	297	284

NATIONAL FOOTBALL LEAGUE

East	West	L	T	Pts	PFF	PFA
Atlanta	1	5	0	515	317	244
San Francisco	1	7	4	511	297	284

er, G. R.	Indianapolis	6	7	0	.462	224	273
	N.Y. Jets	6	8	0	.429	264	273
	Central						
2, Miami		W	L	T	Pts	PF	PA
4-Pittsburgh		10	3	0	.769	251	187
Sei-	Cleveland	10	4	0	.714	291	178
Se-	Cincinnati	2	11	0	.154	216	321
Se-	Houston	1	11	0	.077	179	295
147; Galle	West						
		W	L	T	Pts	PF	PA
San Diego		9	4	0	.692	308	228
Kansas City		7	6	0	.538	241	225
LA Raiders		7	6	0	.538	254	279
Denver		7	6	0	.538	287	261
Seattle		5	8	0	.385	246	273
NATIONAL CONFERENCE							
	East						
		W	L	T	Pts	PF	PA

	Central				West			
	W	L	T	Pts	W	L	T	Pts
Los Angeles	11	3	0	33	10	2	0	30
San Francisco	11	3	0	33	10	2	0	30
San Diego	10	4	0	30	9	3	0	27
Seattle	9	5	0	27	8	4	0	24
San Jose	8	6	0	24	7	5	0	21
San Francisco	7	7	0	21	6	6	0	18
San Jose	6	8	0	18	5	7	0	15
San Francisco	5	9	0	15	4	8	0	12
San Jose	4	10	0	12	3	9	0	9
San Francisco	3	11	0	9	2	10	0	6
San Jose	2	12	0	6	1	11	0	3
San Francisco	1	13	0	3	0	12	0	0
San Jose	0	14	0	0	0	13	0	0

LA Rams 4 0 0 .308 236 290
x-clinched division
y-clinched playoff spot
Saturday's Games
Detroit 16, New York Jets 7
Cleveland 19, Dallas 14

Soccer

ENGLISH PREMIER LEAGUE
Liverpool 0, Crystal Palace 0
Aston Villa 0, Everton 0
Blackburn 3, Southampton 2
Leeds 2, West Ham 2
Newcastle 3, Leicester 1
Norwich 3, Chelsea 0
Nottingham Forest 0, Ipswich 1

Queens Park Rangers 2, Manchester United 3
Tottenham 3, Sheffield Wednesday 1
Wimbledon 2, Coventry 0
Sheffees: Blackburn 4 points, Manchester United 4, Newcastle 2, Liverpool 2, Middlesbrough Forest 3, Manchester City 2, Leeds 2, Chelsea 2, Norwich 2, Tottenham 2, Coventry 2, Arsenal 2, Crystal Palace 2, Southampton 2, Sheffield Wednesday 2, Wimbledon 2, Queens Park Rangers 1, Everton 1, West Ham 1, Aston Villa 1, Leicester 1, Ipswich 1.

GERMAN FIRST DIVISION
Dynamo Dresden 1, Bayer Leverkusen 1
1860 Munich 3, Eintracht Frankfurt 1
Hamburg SV 4, Borussia Dortmund 4
MSV Duisburg 2, VfB Stuttgart 0

PEANUTS

...AND NOW, THE WINNING ROYAL LOTTERY NUMBER-
77434612800557...

7.

Tapie Replaced at Marseille Club

MARSEILLE (Reuters) — The former television anchorman Pierre Cangioni took over Sunday from Bernard Tapie as president of the Olympique Marseille soccer team and hinted at cutbacks when he said, "You've had Santa Claus as a president for eight years."

Tapie, who was banned by French authorities from running the club following the alleged rigging of a league match against Valenciennes last year, said he would be giving up all his shares in the team by "next week at the latest."

For the Record

Yusef Omar, 22, a Nigerian soccer player with Olympic of Alexandria, was deported from Egypt after proving to be HIV-positive in the mandatory AIDS test for foreigners. (Reuters)

Jose Canseco, the home-run-hitting outfielder of the Texas Rangers, was traded to the Boston Red Sox for center fielder Otis Nixon and minor league third baseman Luis Ortiz. (NYT)

Wender Bremen & Bayern Match 0
SC Freiburg 3, Scholke 0

Statistics: Borussia Dortmund 28 points,
Wender Bremen 24, Monchengladbach 25, SC
Freiburg 23, Bayern Munich 23, FC Kuls-
ludern 22, Karlsruhe 21, Bayer Leverkusen
20, Hamburg SV 18, VfB Stuttgart 16, Ein-
tracht Frankfurt 16, Schalke 13, FC Cologne
& Bayer Uerdingen 10, 1940 Mainz 10, Dy-
namo Dresden 10, VfL Bochum & HSV Duls-
dorf 7.

CRICKET

THIRD TEST
India vs. West Indies, second day
Sunday, in Chanderi,
West Indies (first innings): 4/3
India (first innings): 65-1
MANDELA TROPHY
New Zealand vs. South Africa
Sunday, at Cheltenham Park
South Africa leads: 314-7

SPANISH FIRST DIVISION
 Deportivo de La Coruna & Sevilla 1
 Celta de Vigo & Real Madrid (Gams)
 1. Valladolid 2
 Real Madrid & Espanol 4
 Leonesa & Real Sociedad 4
 Albacete & Tenerife 1
 Sporting de Gijon & Athletic de Madrid 2
 Real Betis & Zaragoza 1
 Espanol 2, Compostela 9
 Athletic de Bilbao 2, Valencia 1

Standings: Real Madrid 21 points, Deportivo 19, Athletic de Bilbao 18, Barcelona 17, Betis 16, Espanol 16, Sevilla 15, Celta 14, Compostela 14, Valencia 13, Espanol 12, Athletic de Bilbao 12, Sporting de Gijon 11, Gijon 11, Albacete 11, Sporting de Gijon 10, Espanol 9, Compostela 9, Espanol 8, Espanol 7, Espanol 6, Espanol 5, Espanol 4, Espanol 3, Espanol 2, Espanol 1.

CLIFF 11, Verdefield 16, Racine de Santander 6

DUTCH FIRST DIVISION
Scout: Ritscher, 5; FC Utrecht 6
FC Twente Enschede, 3; MVV Maastricht 0.
FC Utrecht 1, FC Groningen 1
SC Heerenveen 4, NAC Breda 3
Strengths: Rinda JC 94 points. Ajax 20, FC Twente 23, FC Utrecht 23, FC Groningen 23, SC Heerenveen 23, Willem 11, MVV 13, FC Utrecht 13, sports 13, NAC 12, FC Groningen 12, FC Volendam 12, MEC 10, RKC 10, GA Eindhoven 10.

ITALIAN FIRST DIVISION
Brescia 4, Sampdoria di Genova 0
Fiorentina 1, AS Roma 0
Lazio 0, Juventus 0
Napoli 0, Fiorentina 0
Parma 0, Lazio 0
Roma 0, Lazio 0
Torino 0, Lazio 0
Venezia 0, Lazio 0

CLEVELAND—Agreed to terms with Ed Smith, outfielder, on minor-league contract.

DETROIT—Signed Bill Schaner as a free agent.

OAKLAND—Claimed home towns, pitcher and catcher, from the Yankees.

TEXAS—Traded Jose Canseco, outfielder, to Boston for Eric Nixon, outfielder, and Luis Riera, third baseman.

ATLANTA—Signed Lou Lescage as a free agent.

ATLANTA—Acquired Alde Percefull, first baseman, from St. Louis to complete an outfield.

FLORIDA—Signed Brian Barnes, pitcher, outright to Edmonton, F.C.

PITTSBURGH—Agreed to terms with Mickey Seaver, catcher, and Milt Hill, pitcher.

[illegible]

WE CAN GO UP THE
LET AND THE BEST
FROM THE
WINDERS.
THINGS.

WHAT?!!

THE TREE TOO, SO YOU
DON'T EVEN HAVE TO
DECORATE IT! WE'LL SAVE
TIME AND MONEY.

OK, WHAT DID YOUR DAD TELL
YOU *THIS* TIME?

THE TREE IS STILL
ON THE GROUND.

JEFF KOPP

WHAT'S THAT CRAZY
SOMETHING NEW...
AN INFLATABLE
OFFICE

IT'S FOR THOSE AFTERNOONS
WHEN YOU CAN'T KEEP YOUR
EYES OPEN AND YOU

BLONDIE

05/11/2015

SPOT
Packers

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MONDAY SPORTS

Packers Tounce the Bears, 40-3, to Keep Their Playoff Hopes Alive

A return to frigid Lambeau Field in Green Bay, a white-hot offense and an ice-cold Steve Walsh were just what the Green Bay Packers needed to salvage their playoff hopes.

The Packers routed the Chicago Bears, 40-3, on Sunday as Brett Favre threw for three touchdowns, two of them to Sterling Sharp, and Green Bay's defense returned to form after a five-game skid.

Chris Jacke added four field goals as the Packers (7-7) won their ninth straight game at Lambeau, where they completed their first undefeated season since 1962 when Vince Lombardi won his second of five NFL titles. The temperature at Lambeau Field was 15 degrees at kickoff, with a wind chill of 6 degrees.

The stunned Bears lost their 14th straight December road game, a streak that dates to Dec. 7, 1987, when they edged the Raiders, 6-3.

The Bears (8-6) also fell from first place in the NFC Central, a game behind Minnesota.

The Bears managed just a 25-yard field goal by Kevin Butler for an early 3-0 lead before the Packers overwhelmed them.

The Packers rushed for a season-high 257 yards, including 106 by Edgar Bennett. Favre completed 19 of 31 passes for 250 yards with one interception.

Vikings 21, Bills 17: Warren Moon never won in Buffalo in 10 years with the Houston Oilers. Maybe he should have brought Cris Carter and Jack Del Rio with him.

Carter caught nine passes for 111 yards to lead Minnesota and give the Vikings' new quarterback his first victory at Rich Stadium in six tries. Carter is one catch shy of Sterling Sharpe's single-season NFL record of 112.

Del Rio had an interception to kill one Buffalo drive and sacked Jim Kelly to stop another as the Vikings (9-5) scored the last 12 points to solidify their hold on first place in the NFC Central.

With 1:29 left and Minnesota needing only a first down to run out the clock, Phil Hansen slipped the ball from Terry Allen. But Kelly was injured and carted off after the second play, and Thurman Thomas was taken to the sideline on the fourth play. Frank Reich, the architect of a 32-point comeback that knocked Moon and the Oilers out of the playoffs in 1992, could not pull it out this time.

Buffalo (7-7), which has not won consecutive games since September, lost after an emotional victory last week over Miami.

Although still in the wild-card race, a Miami victory over Kansas City on Monday night would destroy Buffalo's chances of a sixth AFC East title in seven years.

In his first year with the Vikings, Moon has already begun to rewrite their record books. He was 21-for-34 for 261 yards against Buffalo to give him 4,078 yards for the year and top Tommy Kramer's team record of 3,912.

Steelers 14, Eagles 3: Not even the inventor of the Steel Curtain defense could devise a way to beat the best Pittsburgh Steelers team since the 1970s.

The Steelers, shut out for three quarters by Philadelphia defensive coordinator Bud Carson's ingenious mix of blitzes

and changing coverages, scored twice in less than two minutes of the fourth quarter to beat the fading Eagles in Pittsburgh.

Andre Hastings scored his first NFL touchdown, and John

NFL ROUNDOUP

L. Williams, taking over as the Steelers' feature back with Barry Foster and Bam Morris injured, scored 1:48 apart to prevent an upset that would have revived the Eagles' playoff hopes.

The Steelers (11-3) won their sixth in a row and now will play Cleveland (10-4) on Sunday in

Three Rivers Stadium for the AFC Central title.

Pittsburgh's start is its best since the 1979 Steelers — the last of their four Super Bowl champions teams — had the same record.

With Randall Cunningham throwing a critical fourth-quarter interception, the Eagles (7-7) never did find an offense while losing their fifth in a row.

Patriots 28, Colts 13: The New England Patriots, a franchise starved for success, continued their playoff drive with their fifth straight win.

The Patriots, playing at home, overcame a 10-0 deficit and four interceptions to move

within a half-game of the AFC East leader, Miami.

The Patriots (8-6), who have not had a winning season 1988, survived Ray Buchanan's third interception return for a touchdown in five games, covering 90 yards.

The Colts (6-8) suffered a serious blow to their playoff hopes because they could not capitalize on the other interceptions, including another by Buchanan, who has six steals in five games since moving from free safety to cornerback.

Giants 27, Bengals 20: In East Rutherford, New Jersey, the New York Giants finally did something everyone else in

the NFL has done for years. They beat the Cincinnati Bengals for the first time and kept alive their faint playoff hopes.

The Giants did it the hard way in winning their fourth straight game after losing seven in a row. Rodney Hampton scored on a three-yard run with 40 seconds to play as the Giants blew a 10-point fourth-quarter lead, then moved 66 yards in four plays to beat the Bengals.

Hampton also scored on a one-yard run. Dave Brown threw a touchdown pass and Brad Daluiso kicked two field goals as New York (7-7) snapped a four-game home losing streak. The Giants beat the

Bengals (2-12) for the first time in five meetings.

Buccaneers 24, Rams 14: It was too little, too late for the Tampa Bay Buccaneers. The Bucs, with Craig Erickson throwing touchdown passes of 71 and 44 yards to Charles Wilson, won their third straight game for the first time in 12 years.

Entering play this weekend, the Bucs (5-9) were one of 25 teams with a shot at the NFL playoffs. But the victory was not enough as results from other games eliminated the Bucs from contention.

Erickson threw for 231 yards, 176 of them to Wilson, while

Errict Rhett ran for 119 yards and a touchdown. Wilson's 71-yard reception came in the second quarter, while his 44-yarder occurred after Charles McRae blocked what would have been a game-tying 48-yard field goal by Tony Zendejas with 1:51 to go.

Tampa Bay last won three in a row in the strike-shortened 1982 season when the Bucs had their last winning record and qualified for the playoffs. The Rams are at 4-10.

In games played Saturday:

Browns 19, Cowboys 14: In Irving, Texas, Cleveland intercepted two Troy Aikman

passes, sacked him twice, recovered a critical fumble and watched a last-minute Dallas rally end at the three-inch line for a victory that virtually assured the Browns of a wild-card berth in the playoffs.

Lions 18, Jets 7: In East Rutherford, New Jersey, Detroit enhanced its playoff chances, and Art Monk set an NFL record of 178 consecutive games with a reception on New York's first play. The Lions clinched the victory with Jason Hanson's fourth field goal, a 23-yarder with 3:02 remaining. Barry Sanders was thrown for a loss nine times, but also had runs of 29, 27 and 22 yards.



The Browns' Derrick Alexander couldn't grab the pass, but Larry Brown of the Cowboys was called for interference.

Colorado's Salaam Wins Heisman by Wide Margin

By Ken Denlinger
Washington Post Service

NEW YORK — The Colorado tailback Rashaan Salaam has a flair for the extraordinary that began when he learned to walk at 6 months. Now he has won college football's most coveted prize, the Heisman Trophy.

The voting for the 60th Heisman was not as close as expected, with Salaam gathering 1,743 points to 901 for another junior running back, Ki-Jana Carter of Penn State.

Senior quarterback Steve McNair of Alcorn State (655 points) and Kerry Collins of Penn State (639) were third and fourth.

Salaam was only the fourth runner in the history of major college football to gain more than 2,000 yards in a single season. Each of the others — Barry Sanders of Oklahoma State (1988), Marcus Allen of Southern Cal (1981) and Mike Rozier

of Nebraska (1983) — also won the Heisman.

"I think that's what put me over the top," Salaam said at a news conference at the Downtown Athletic Club, after the award was announced on Saturday. "This is for the offense. I'm just here representing the offense."

His decision about whether to turn pro already has been made, he added, but will not be announced until after Colorado's Jan. 2 Fiesta Bowl game against Notre Dame.

Even though his competition was formidable, the 6-foot-1, 218-pound (185-meter, 99-kilogram) Salaam had more first-place votes (400) than all the other candidates combined.

Carter's average of 7.8 yards per carry was higher than Salaam's — and also higher than all but one of the 35 other running backs who have won the Heisman. Rozier had the same average.

McNair set the all-division record for career total offense (16,823 yards) and for career offensive average per game (400.5 yards). His was the highest finish ever for a Division I-AA player. Doug Williams of Grambling was fourth in 1977. Collins was the national leader in passing efficiency with a 172.86 rating in leading an offense that averaged 48 points per game. He seemed the most disappointed.

"After winning the Maxwell, maybe my hopes were a little too high," he said. "But I'm not flashy and I had no phenomenal stats. I can say I'm a Heisman finalist. Not too many people can say that."

Salaam was noticed by running for 4,965 yards and 105 touchdowns in two-and-a-half years of varsity ball. He was ready to quit Colorado during his freshman year, until Coach Bill McCartney and others put him straight.

UMass Hangs On to Beat Maryland

The Associated Press

Nine months after they took a drubbing at the hands of Maryland, the Massachusetts Minutemen wilted again in the second half against the Terrapins. This time, though, the Minutemen survived.

Mike Williams scored 12 of his 18 points after halftime Saturday in Baltimore as UMass, fifth in the Associated Press college basketball rankings, beat the 11th-ranked Terrapins, 85-74. The Minutemen overcame a 30-point effort by Joe Smith and gained a measure of revenge for a bitter loss in last season's NCAA tournament.

In March, the Minutemen blew a 10-point second-half lead in a 95-87 setback that put Maryland in the final 16. The Minutemen lost a nine-point lead Saturday but rallied back to win, closing with a 15-3 run.

Marcus Camby scored 15 points for UMass, playing his third game against a Top 25 team. Lou Roe, saddled by foul trouble throughout, was held to six points — his fewest in 39 games.

Smith made 10 of 18 shots

and Johnny Rhodes had 16 points for the Terrapins.

UMass had a 61-54 lead before Maryland's Ernie Hupp got three straight points and Mario Lucas scored in the lane to get the Terrapins within 61-59.

Dana Dingle followed with a layup and a three-point play to put the Minutemen up by seven. After a Maryland miss, Dingle scored on a breakaway to make it 68-59 with 7:44 left.

Smith then scored eight points in a 12-2 run that gave the Terrapins their first lead since 7-4. But Maryland got only three points in the last four minutes.

No. 2 UCLA 99, Cal St-Fullerton 65: Sophomore Charles O'Bannon equaled his career high with 23 points and grabbed 10 rebounds in UCLA's victory in Los Angeles. The Bruins led 42-36 at halftime and 44-40 early in the second half before using their superior talent to blow the game open. The Bruins outscored the Titans, 57-29, in the second half.

No. 3 Arkansas 94, Murray St. 69: Forced to shoot from the outside, Clint McDaniel and Corey Beck made 6 of 8 3-pointers in the first half and Dwight Stewart hit a trio of 3-pointers in the second half in Fayetteville, Arkansas.

McDaniel scored 17 points and Beck 11 as the Razorbacks built a 21-point first-half lead. The Racers trailed 68-55 with 10:45 to play, but were outscored 15-2 during the next four minutes.

No. 4 Kansas 96, N. Carolina St. 91: In Raleigh, North Carolina, Sean Pearson hit five 3-pointers and led Kansas to a record-setting long-range shooting night as the Jayhawks remained unbeaten. Pearson finished with 16 points as Kansas broke the school record for 3-pointers in a game, hitting 15.

No. 9 Duke 69, No. 23 Michigan 59: DURHAM, N.C. (AP) — Duke endured a 24-0 Michigan run in the first half to earn its 92nd consecutive victory over a nonconference opponent at home and sixth straight over Michigan.

Michigan led, 51-46, with 12:41 to play on a breakaway dunk by Maceo Baston. The Blue Devils then ran off 15

straight points to take a lead they never relinquished.

No. 13 Cincinnati 110, Tennessee-Martin 56: Stunned by an upset by Canisius, Cincinnati took out its frustrations on an overmatched Tennessee-Martin by scoring 64 points in the opening half, then coasting to the consolation title in the Delta Air Lines Classic in Cincinnati. It was the first time that Cincinnati failed to win its own 5-year-old tournament.

E. Michigan 92, No. 14 Wisconsin 76: In Ypsilanti, Michigan, Brian Tolbert scored 26 points and Eastern Michigan grabbed a 37-point lead en route to an upset. Kareem Carpenter added 21 points and pulled down 18 rebounds as the Eagles successfully exploited the absence of center Rashard Griffith, who missed the game with an ankle injury.

Nebraska 96, No. 15 Michigan St. 91: Nebraska, playing at home, scored the first seven points of overtime and made five of six free throws in the final 27 seconds. Nebraska's Tom Wald sent the game into overtime when he hit three free throws after he was fouled on a 3-point attempt with 0.5 seconds left.

No. 18 Georgetown 83, Memphis 80: George Butler's 3-pointer at the buzzer sent the game into overtime in Toronto, where No. 18 Georgetown finally prevailed.



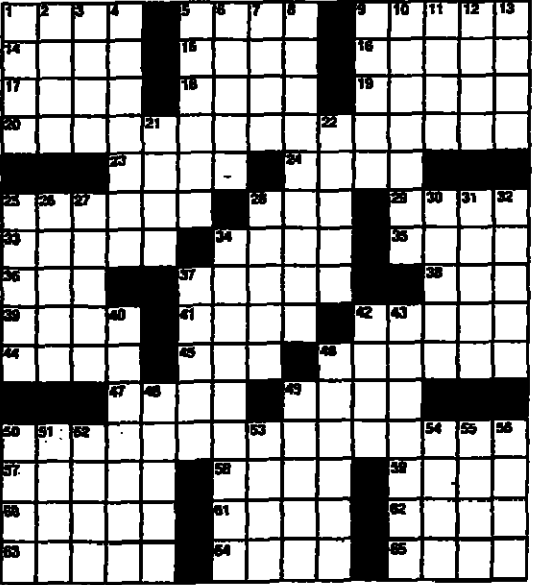
Maryland's Joe Smith scored 30 points when he wasn't being overrun by UMass players.

CROSSWORD

- ACROSS
1 Sobbed
5 Dangerous
9 March date
14 Lotion
15 Kind of tide
16 Boisterous
17 Bottle tops

- DOWN
18 Rivers
19 Warner
20 1943 musical
21 Poker opener
22 "High" time
23 Parts of table
24 Source of some
25 Six-foot two, for
26 Prying tool
27 Mother of
28 "Get outta
29 Here!"
30 Numero
31 Composer Kurt
32 Popular oil
33 Gabbly bird
34 — of Fame
35 Grudge
36 Bridge option
37 Light switch
38 positions
39 Loewe's partner
40 Trudge
41 Othello's
42 1928 work
43 composed by
44 37-Across
45 Ache (for)
46 Moose's attire
47 One corner in
48 Monopoly
49 Coke rival
50 Hardy
51 Sicilian spewer

- 46 Vaudeville's Ole
47 June honoree
48 Sounds of
49 reproof
50 Texas city
51 Dash
52 John Paul, e.g.
53 Having a valid
54 will
55 Feeds the
56 computer
57 Clear the winter
58 windshield
59 Apple
60 One may be
61 roseate
62 Utah city
63 Caves in
64 — the Terrible
65 Numero
66 Diner's card
67 Early auto
68 maker
69 It's unique
70 Kind of point
71 Well-padded
72 See 31-Down
73 Three English
74 rivers
75 Flights to save a
76 sinking boat
77 Trudge
78 Bret Haris
79 character
80 With 26-Down,
81 wife of
82 37-Across
83 Gentle runner
84 Rambled
85 Rodeo yell
86 Slender
87 Utah fly
88 Light plane
89 Cake features
90 Red Square
91 figure
92 Not yet risen
93 Printer's goof
94 Dog command
95 Hip songs
96 Exploding star
97 Gobbles
98 Where to do
99 figure eights
100 "Oh, woe!"



Solution to Puzzle of Dec. 9

SILESTANS SLEDS
HOOKINGUP TOLET
UTTERANCE PUTSA
LAUD BELLE TONY
ASS LOWELLS NOS
PAW ABOUT JIF
HARM RUDE ONO
AUTOPSY TEACHER
TNT LOOP MANS
ANGE TINGA PEP
LARS TAUNTERO CCB
NIBEL RUGAN POOR
NIBEL SANTAROSA
TATER MEGAHERTZ
ANODE SAVSAYSAY

Caran Jache
GENEVE

Baseball Owners Cool to Players' Plan

By Mark Maske
Washington Post Service

RYE BROOK, N.Y. — The Major League Baseball Players Association presented its new labor proposal to the team owners, as the two sides resumed negotiations in what probably is a last-gasp effort to reach a settlement before the owners put a salary-cap system in place.

The owners offered no immediate judgment on the union's proposal on Saturday, at least not publicly. Donald Fehr, chief of the players' union, said he expected to receive the owners' official response Sunday or Monday. But it was clear that the owners believed the union's proposed payroll tax — which would be approximately 5 percent initially — does not adequately address their goal of curbing player salaries. Said one owner: "It's not enough."

John Harrington, the Boston Red Sox general partner and chairman of the owners' negotiating committee, said the owners were "encouraged" by "concerns about our mutual self-interest." But he reiterated that the owners would evaluate the proposal on whether it addresses "cost certainty," and said that "deadlines are upon us."

The rest, about \$35 million, would come from a tax on teams' player payrolls. Using last season as a model, the tax would be about 5 percent initially. Under the owners' taxation proposal three weeks ago, the tax rate would have topped out at 77 percent for the club with the highest payroll last season.

The proposal, as expected, was an attempt to create a "partnership" with the owners, something the owners have talked about doing often during this dispute.

"The purpose of this proposal is not only to attempt to break this logjam in a way everyone can live with," Fehr said, "but also to do so in a way that will force the two sides to do something they haven't done — work together day by day."

The union released details of its proposal after it was given to the owners. That drew an admonishment from Uster, who also continued to urge the owners publicly not to implement a salary cap. The players' proposal calls for a three-year plan of increased revenue-sharing among the 28 teams. The proposal would generate approximately \$58 million in subsidies per year for small-market clubs. Of that, about \$23 million would result from a change in the portion of gate receipts; visiting clubs would receive 25 percent of the receipts from each game. Currently, visiting teams receive about 20 percent in the American League and roughly 5 percent in the National.

The growth fund would be administered by a joint players-owners committee and would be used for marketing, community service and international development projects, including the improvement and replacement of ballparks, an idea that originated with the Baltimore Orioles' renegade majority owner, Peter Angelos.

